



**THE LITTLE INVESTORS THAT COULD
"I THINK I CAN. I THINK I CAN!"**

HISTORY



BUILDING AMERICA®

- 1862: Pacific Railway Act and Railroad Charter
- 1869: The Golden Spike
- 1909: First Articulated Steam Locomotives
- 1912: Separation of Union Pacific and Southern Pacific
- 1941: “Big Boy” Steam Locomotive
- 1958: Connects with Canadian Pacific
- 1969: Transportation Control System & UNP Corporation
- 1984: First Double-Stack Train

HISTORY

- 2004: Union Pacific Center opened in Omaha
- 2012: Celebrates 150 years



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RECENT NEWS



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- 2000-2014: Purchased more than 4,100 EPA approved locomotives
- 2014: Enhanced Tower 55
- 2016: Purchased 230 locomotives
 - Placed 1,500 in storage



FACTS

- Route Miles: 32,100
- Employees: 44,500
- Locomotives: 8,500



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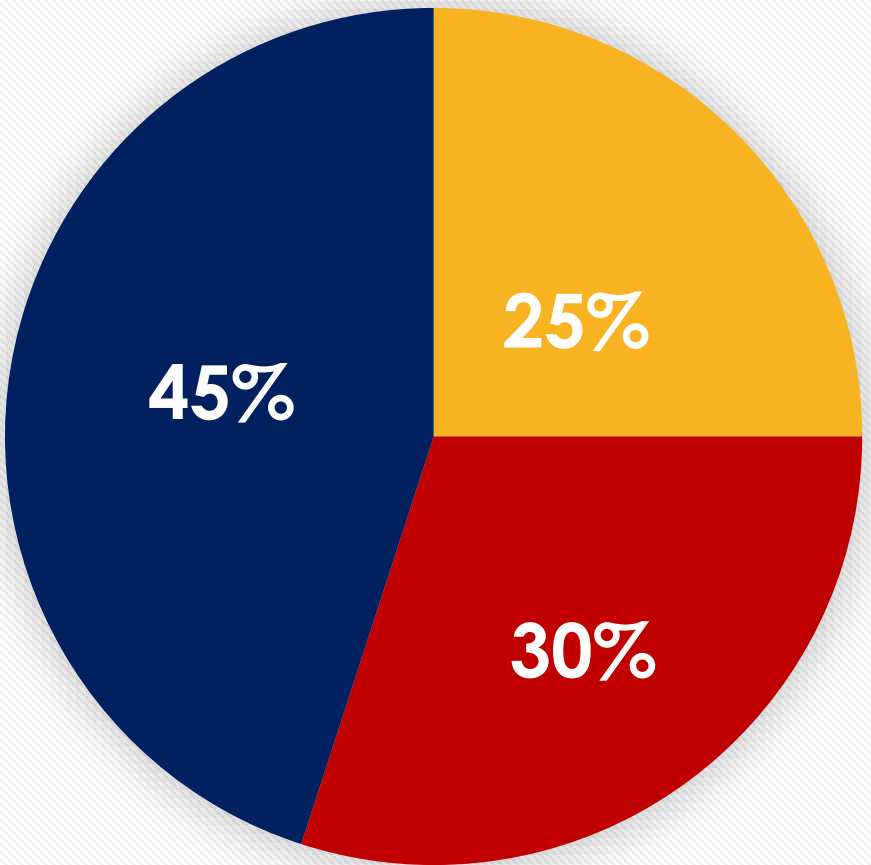
- Single & Double Track
- Triple & Quadruple Track

NETWORKS



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Freight Traffic



■ Manifest ■ Bulk ■ Premium

Manifest Network



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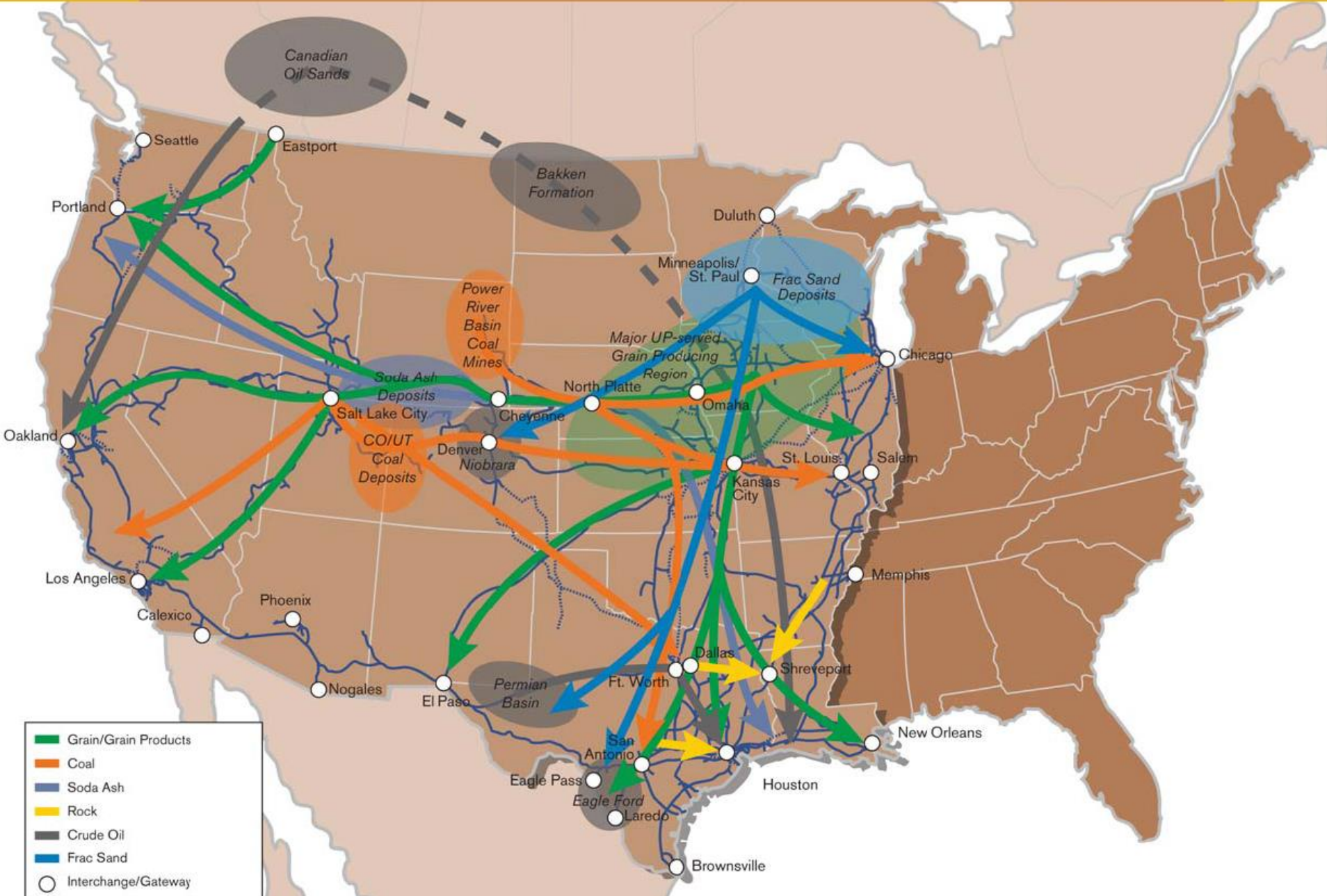


- Network Terminals
- Regional Terminals
- ▲ Storage-in-Transit
- Interchange/Gateway

Bulk Network



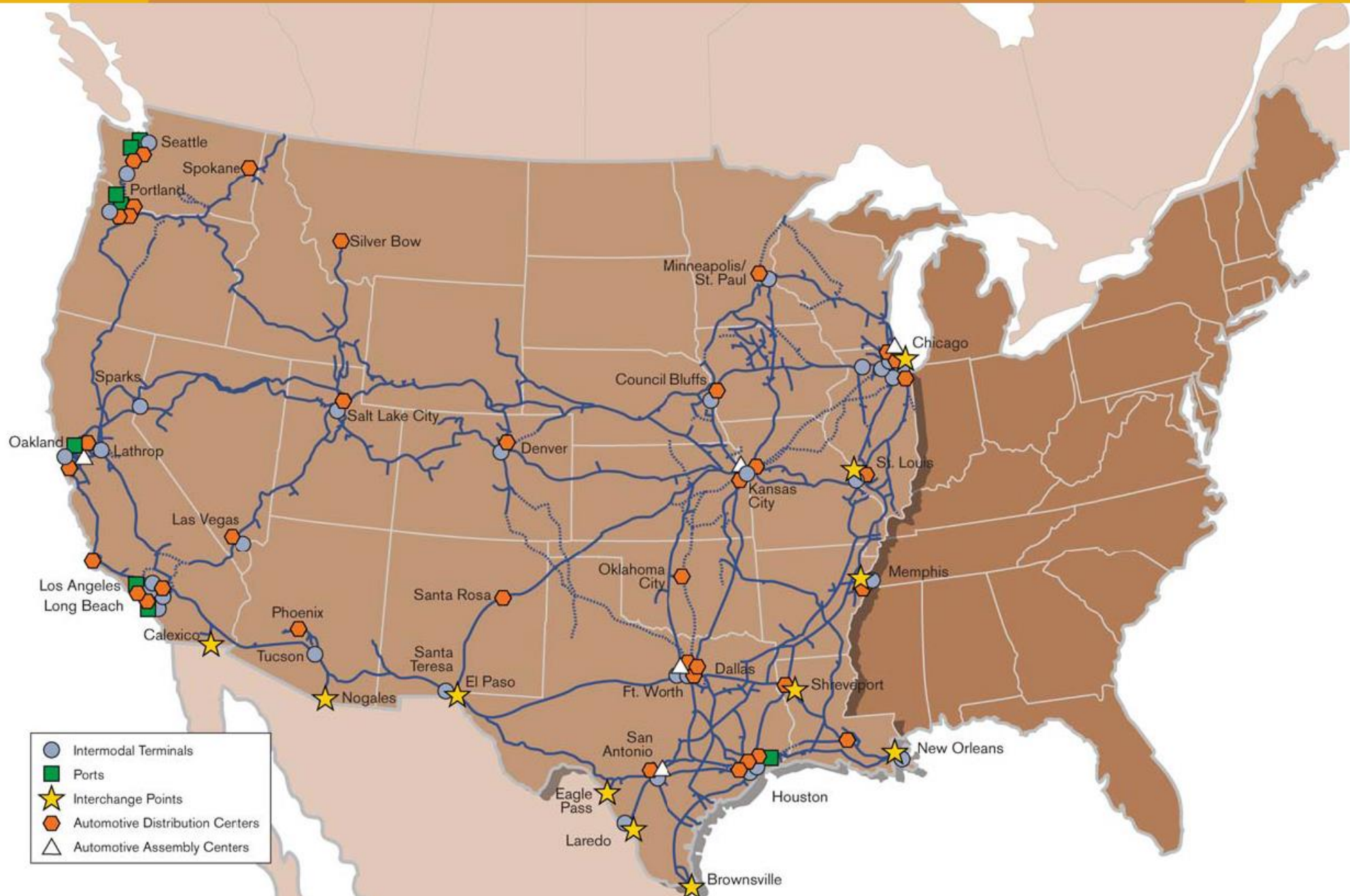
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Premium Network



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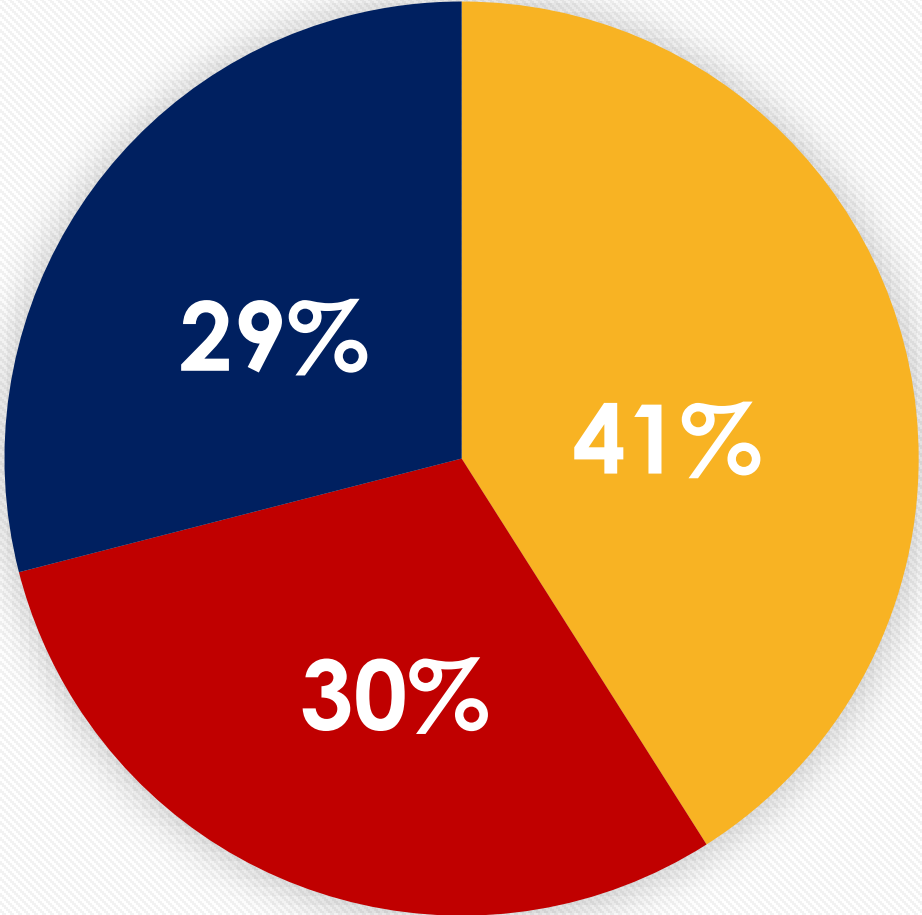
- Intermodal Terminals
- Ports
- ★ Interchange Points
- ⬡ Automotive Distribution Centers
- △ Automotive Assembly Centers

NETWORKS



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Freight Revenue



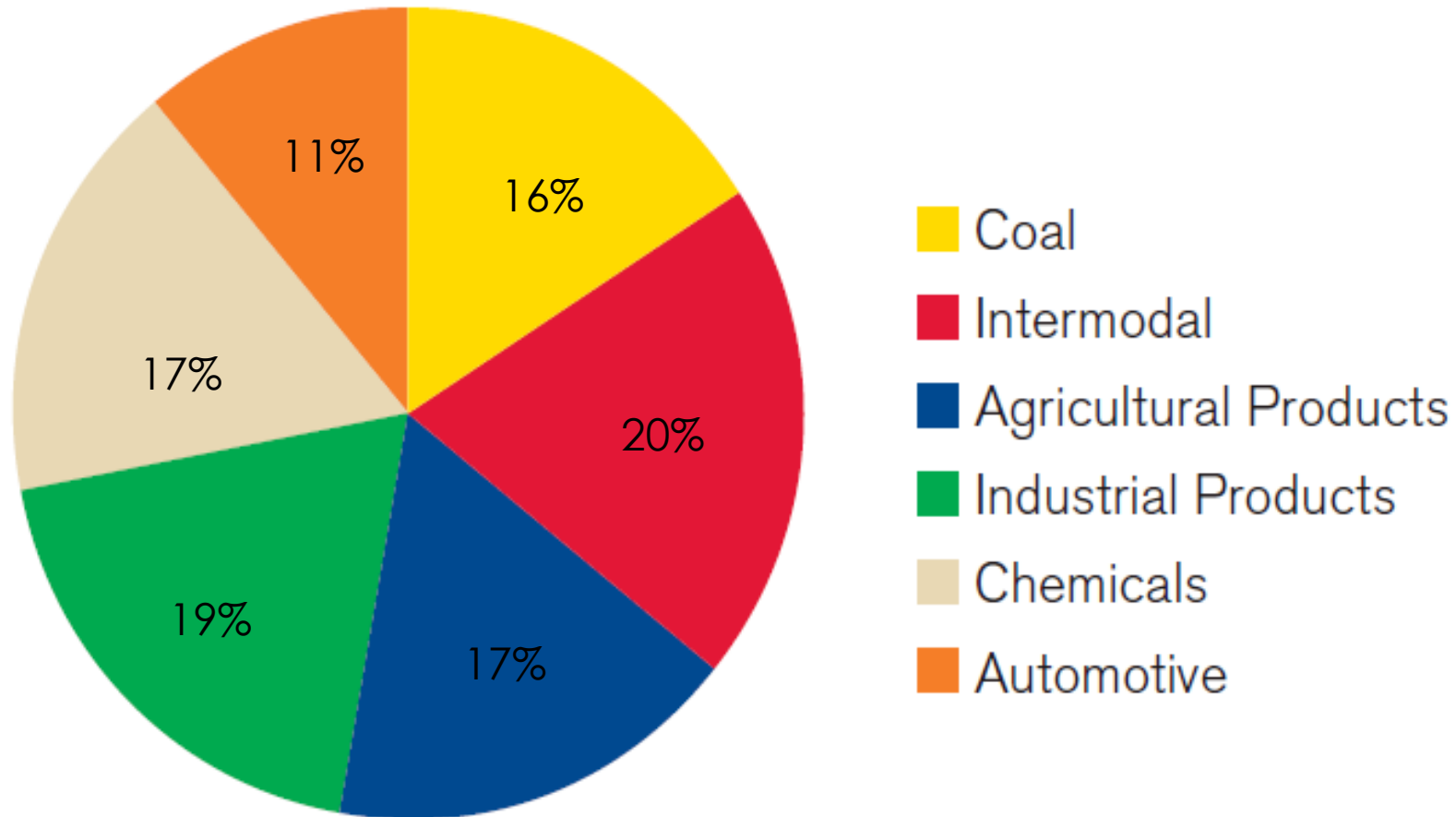
■ Manifest ■ Bulk ■ Premium

BUSINESS SEGMENTS



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ANNUAL 2015 FREIGHT REVENUE PERCENTAGE

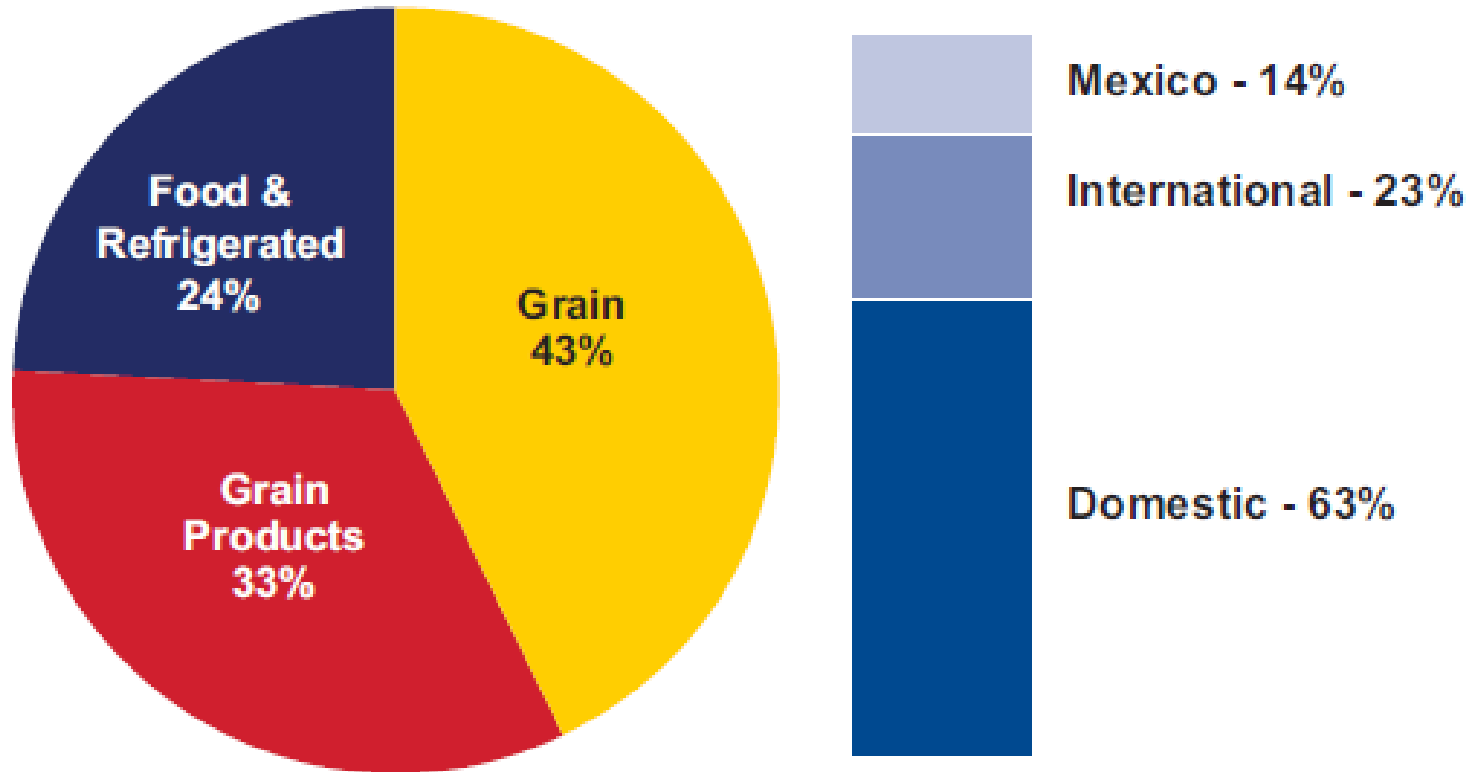


AGRICULTURAL PRODUCTS



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2014 Carloads



AGRICULTURAL PRODUCTS



BUILDING AMERICA®

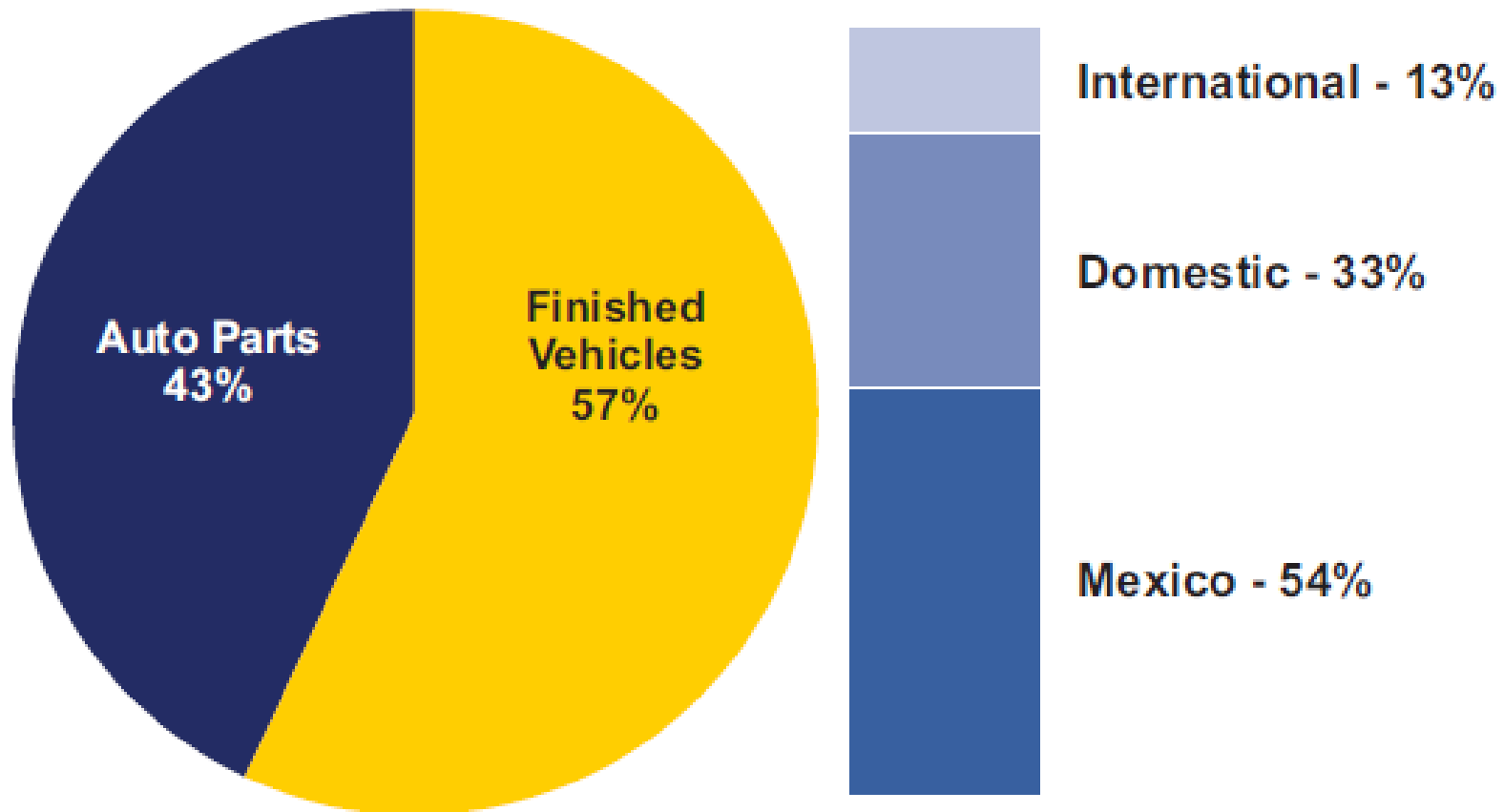
- Unit Trains: 42% of agricultural shipments
- Shuttle Program
- Owns 65% of the refrigerated rail fleet in North America

AUTOMOTIVE



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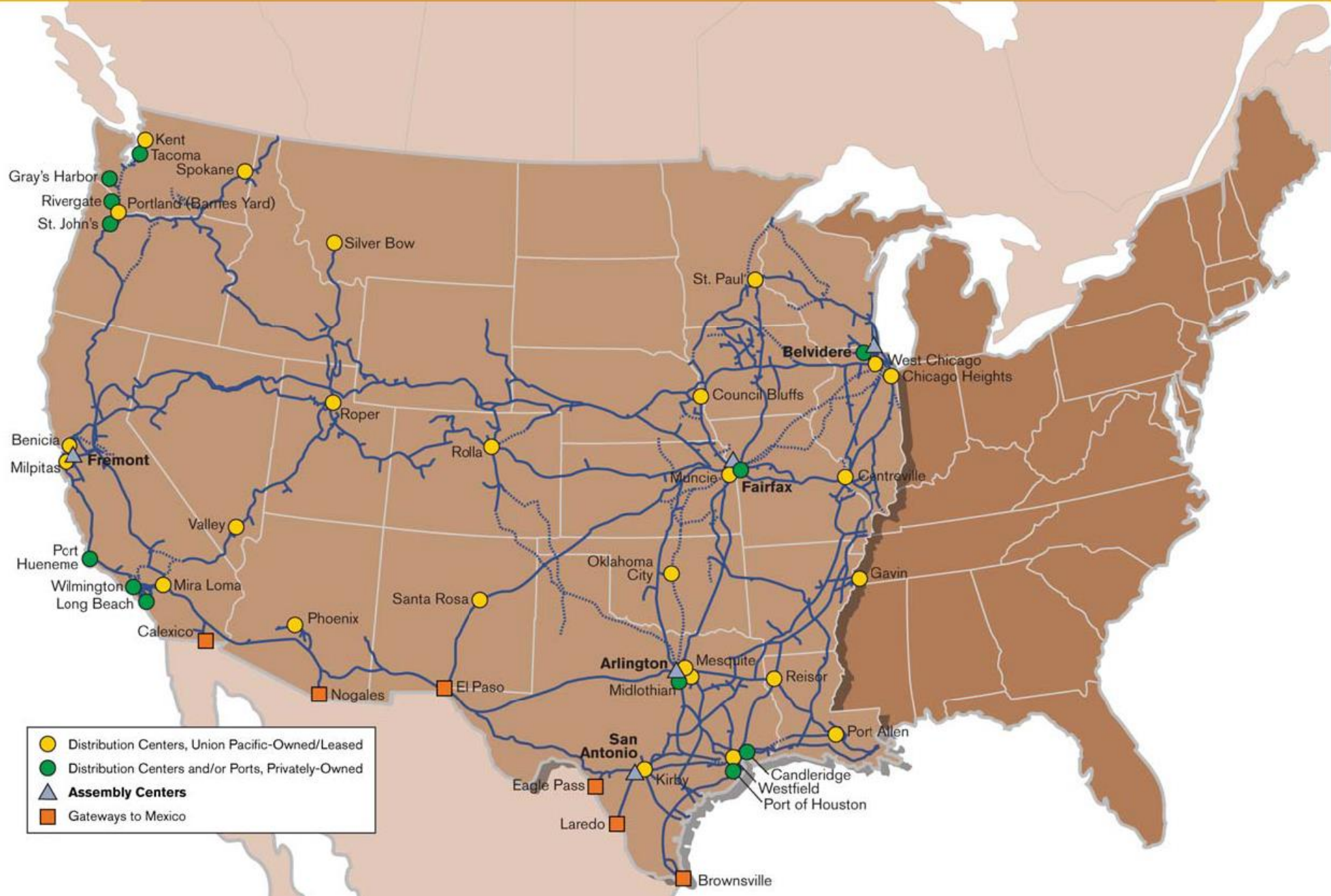
2014 Carloads



Automotive Facilities and Assembly Centers



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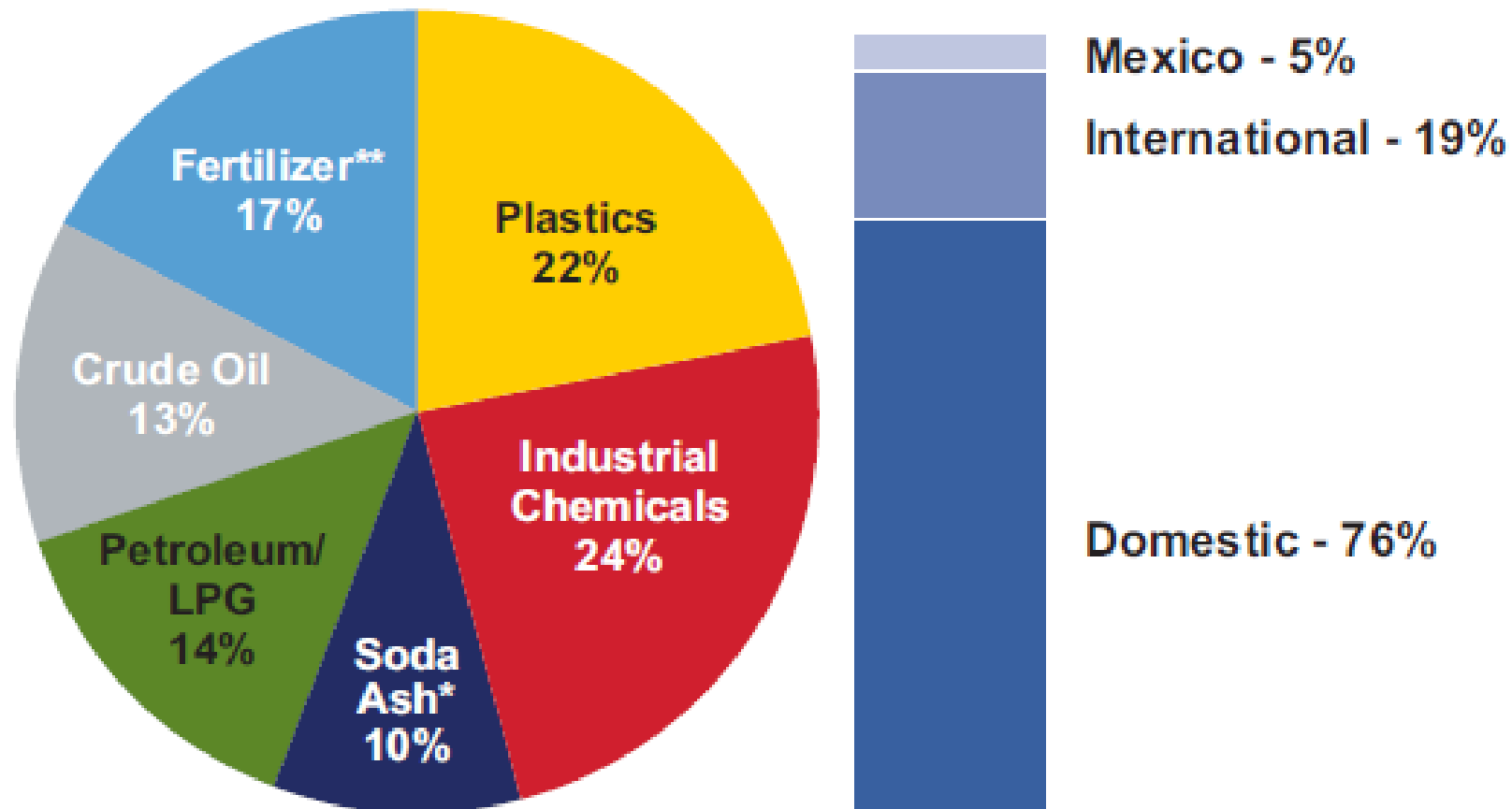


CHEMICALS



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2014 Carloads



* Includes Sodium Products ** Includes Sulfur

CHEMICALS



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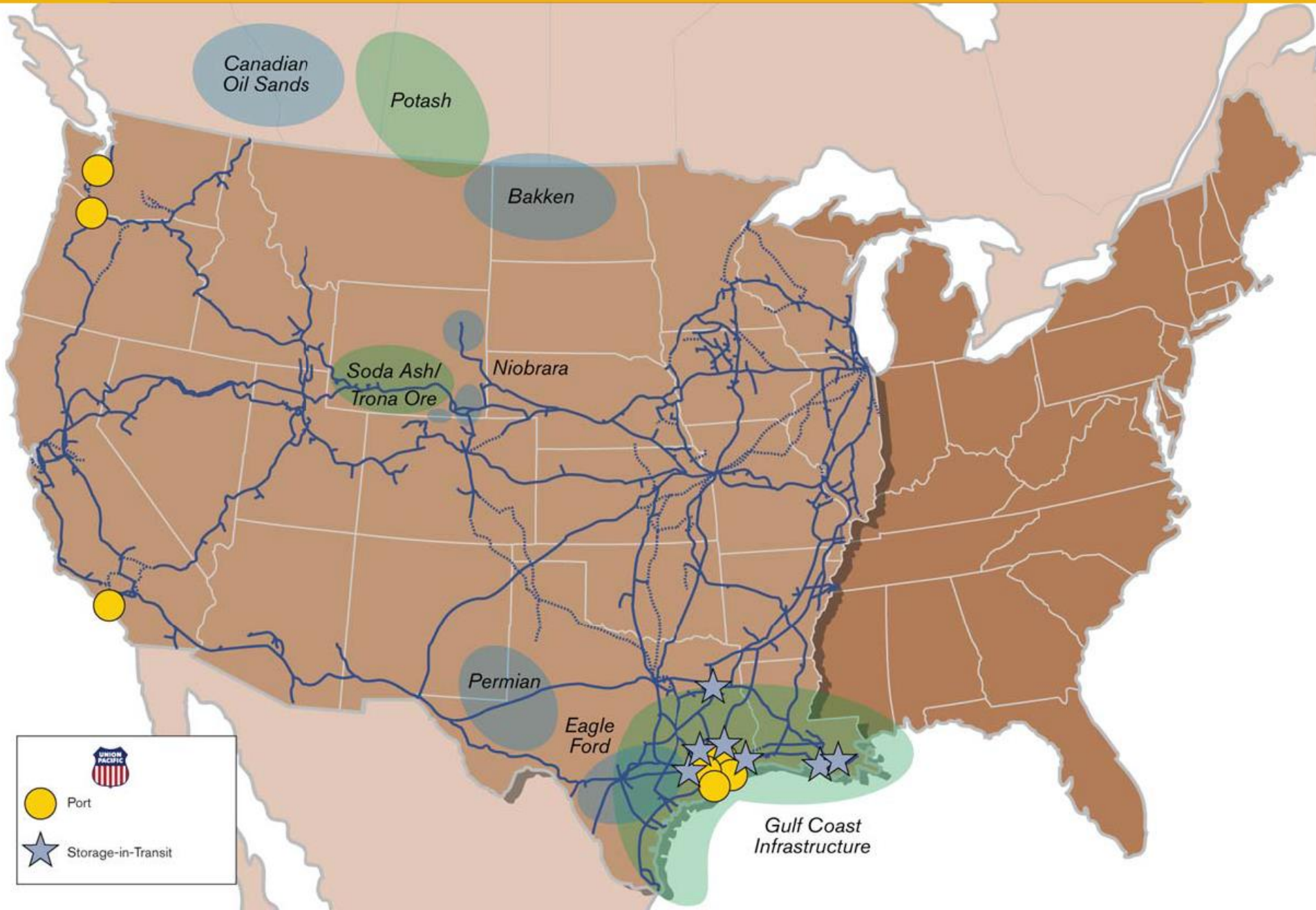
- More Storage-in-Transit (SIT) facilities than any other railroad



Key Chemicals Markets



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Legend:

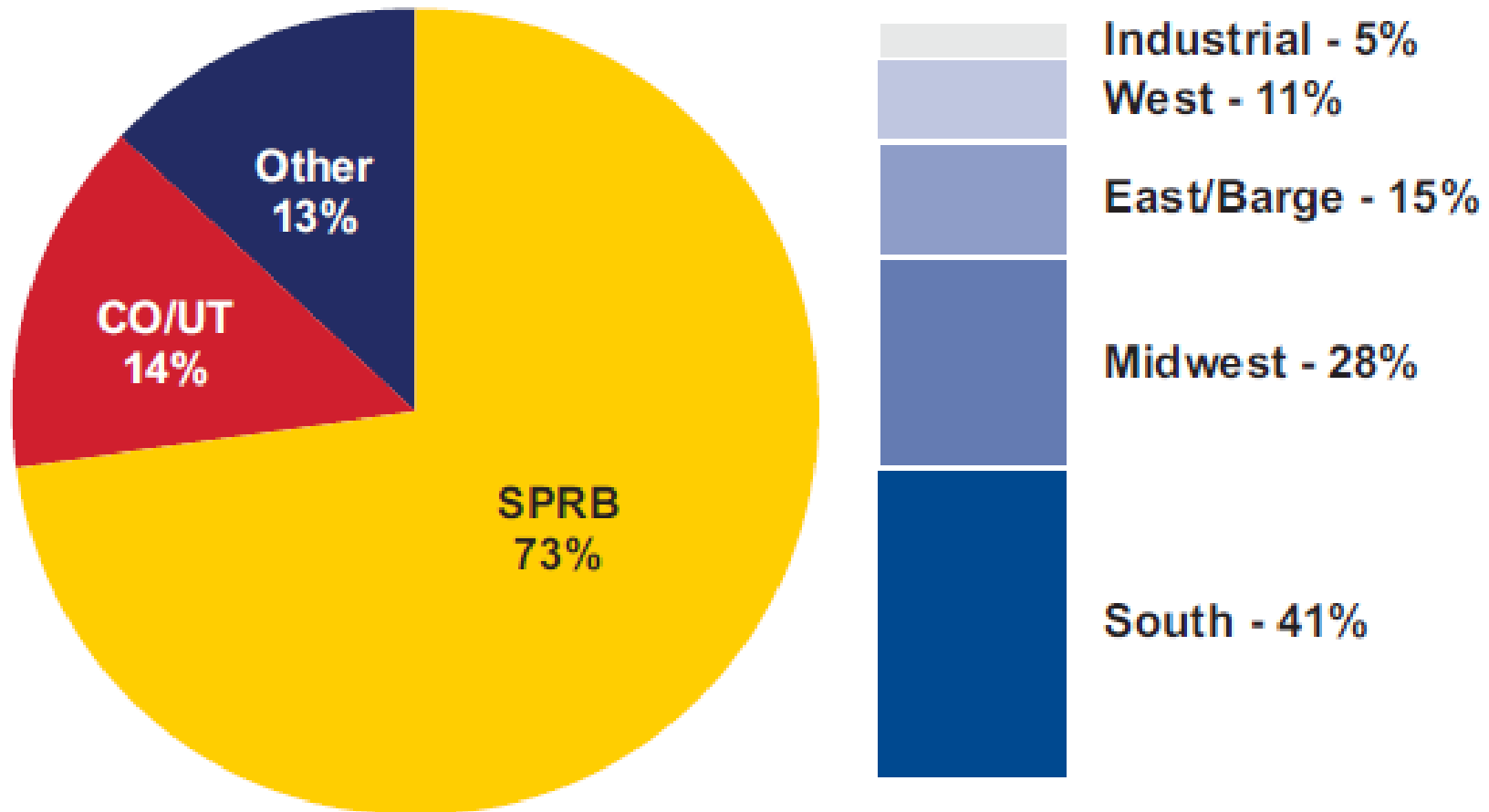
- Port
- Storage-in-Transit

COAL



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2014 Carloads



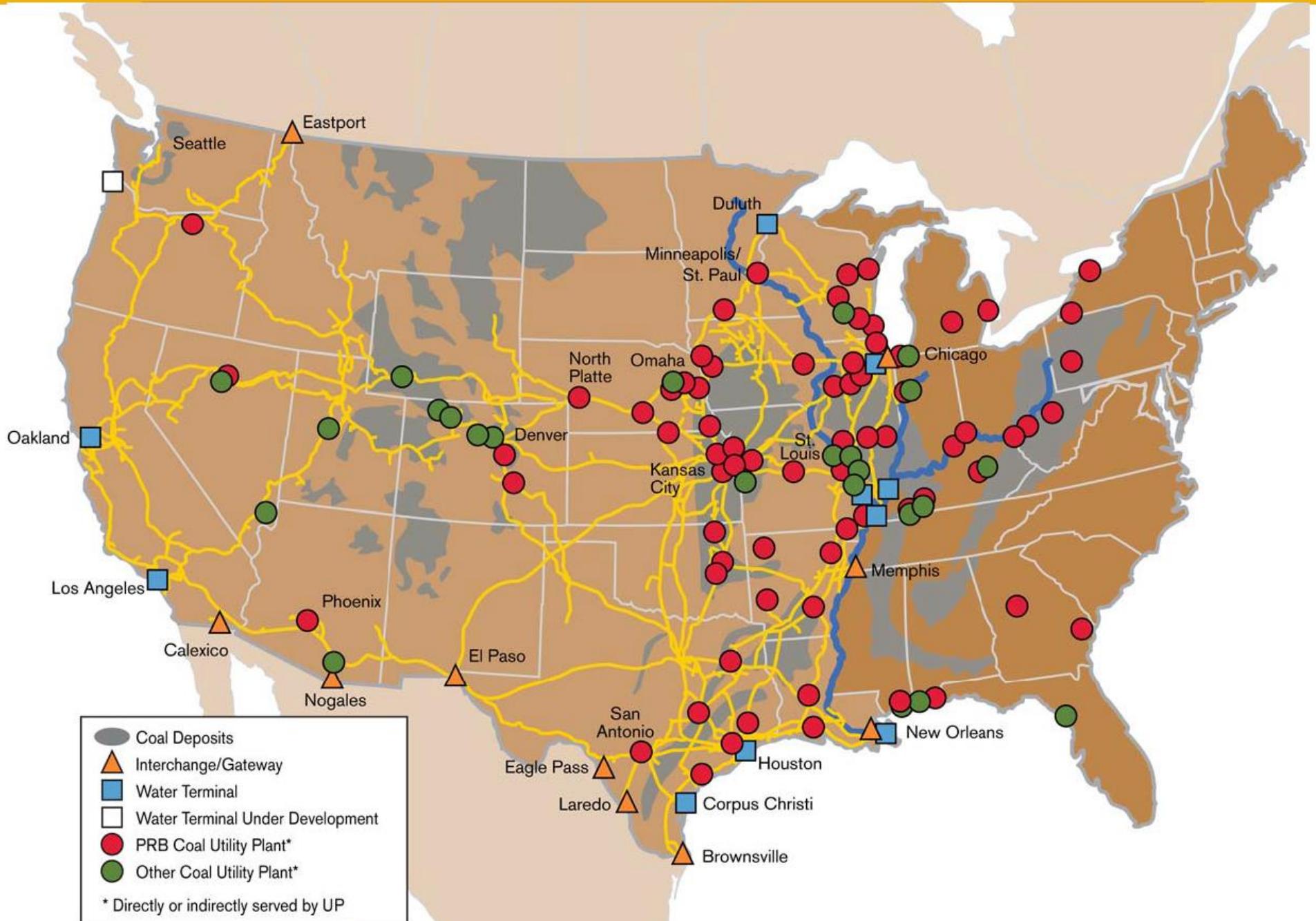
SPRB: Southern Powder River Basin in Wyoming

CO/UT: Uinta Basin Region in Colorado and Utah

Key End-Use Markets



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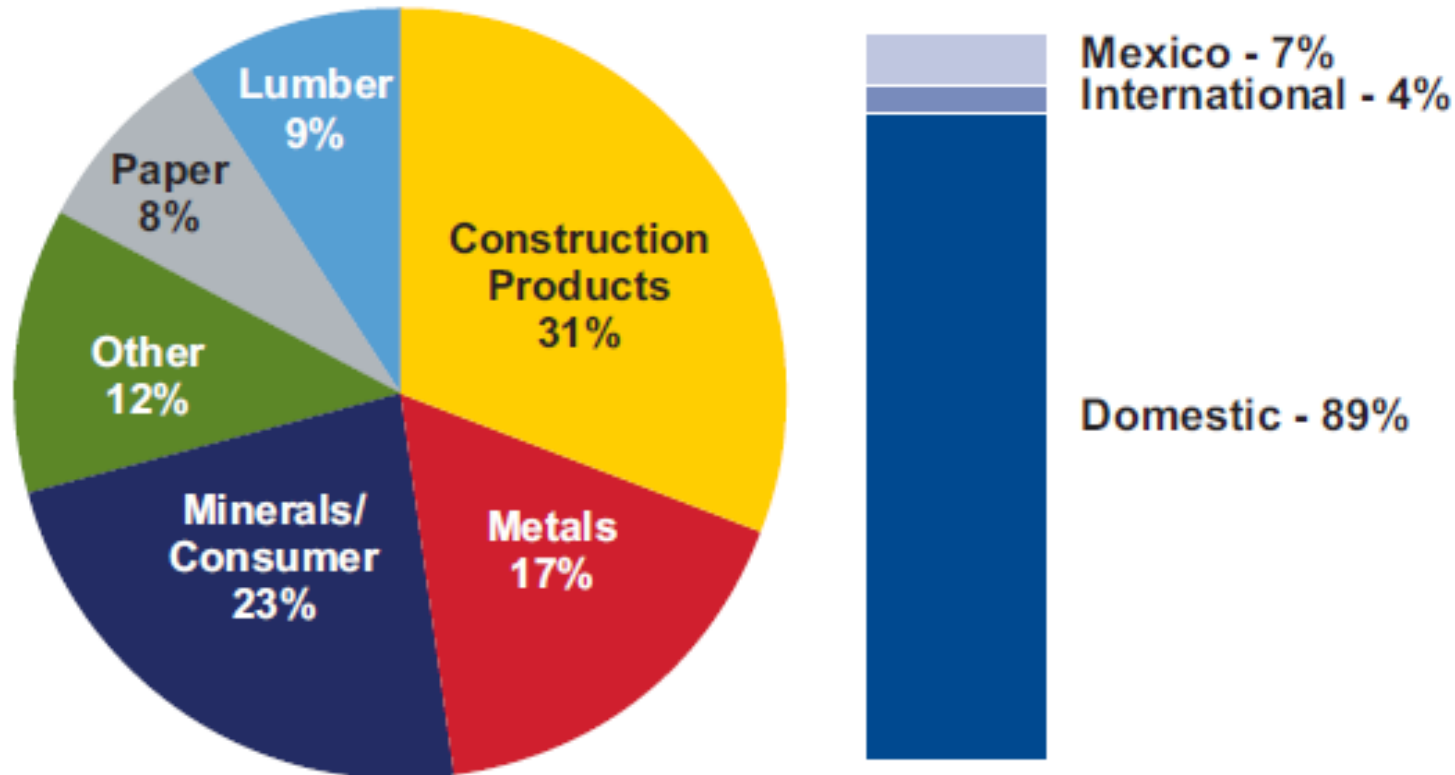


INDUSTRIAL PRODUCTS



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2014 Carloads



INDUSTRIAL PRODUCTS



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- Over 27,000 different origin and destination pairs across North America
- Extensive network of Transload facilities



UNION PACIFIC DISTRIBUTION SERVICES

- Network of over 100 Transload facilities



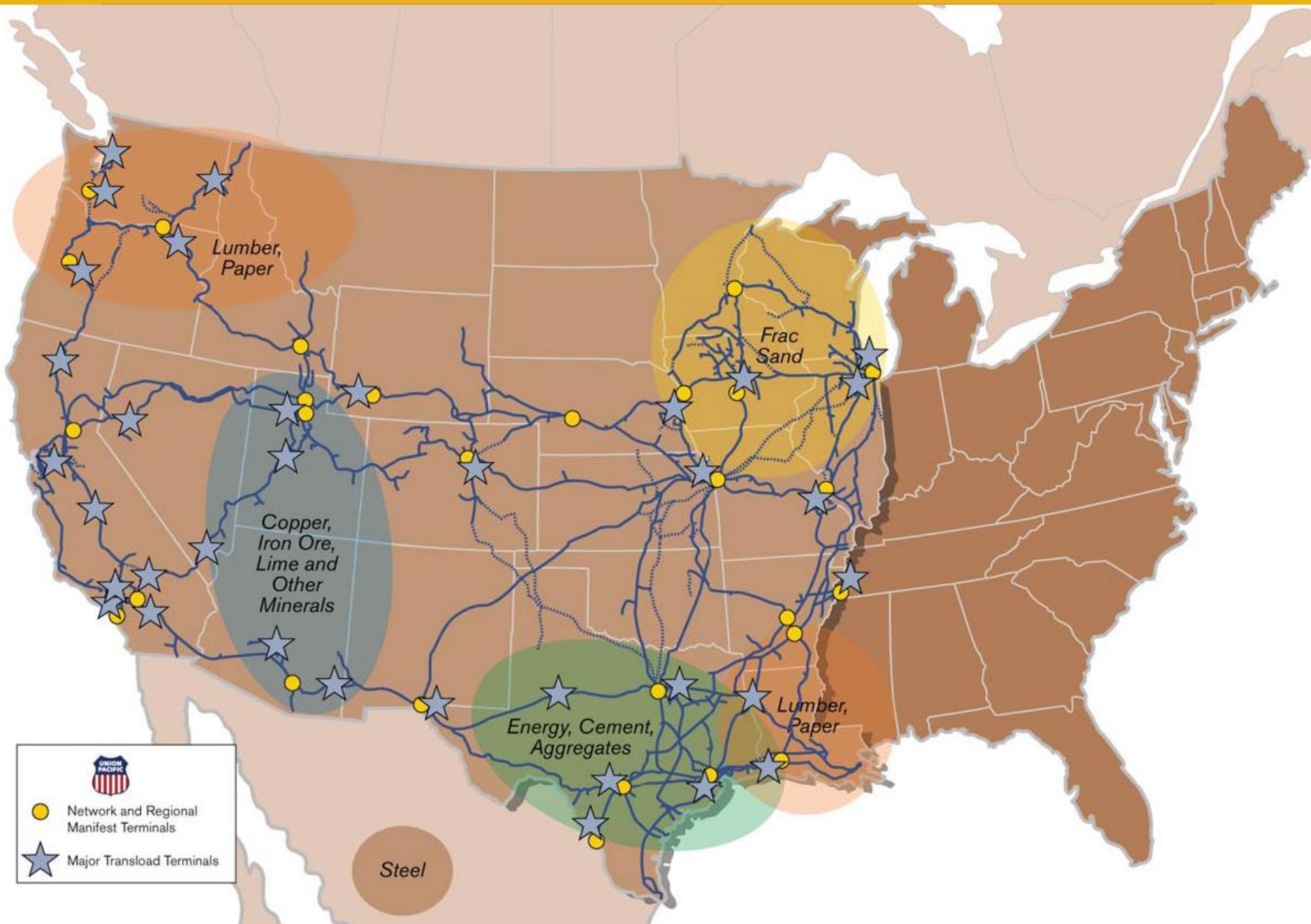
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Key Industrial Products Markets



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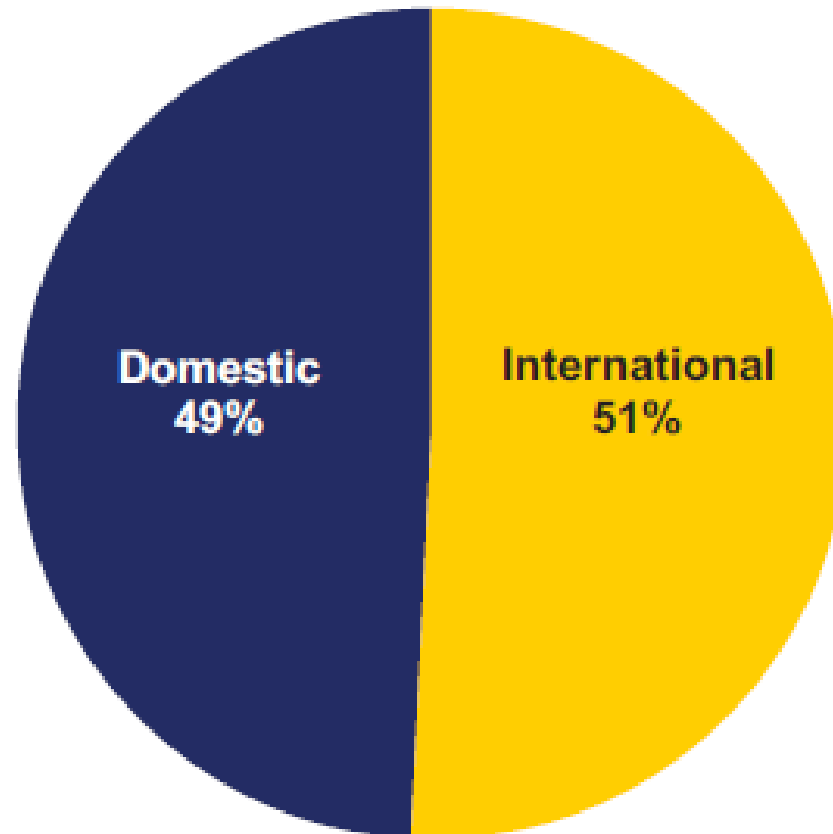


INTERMODAL FREIGHT



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2014 Carloads



INTERMODAL FREIGHT

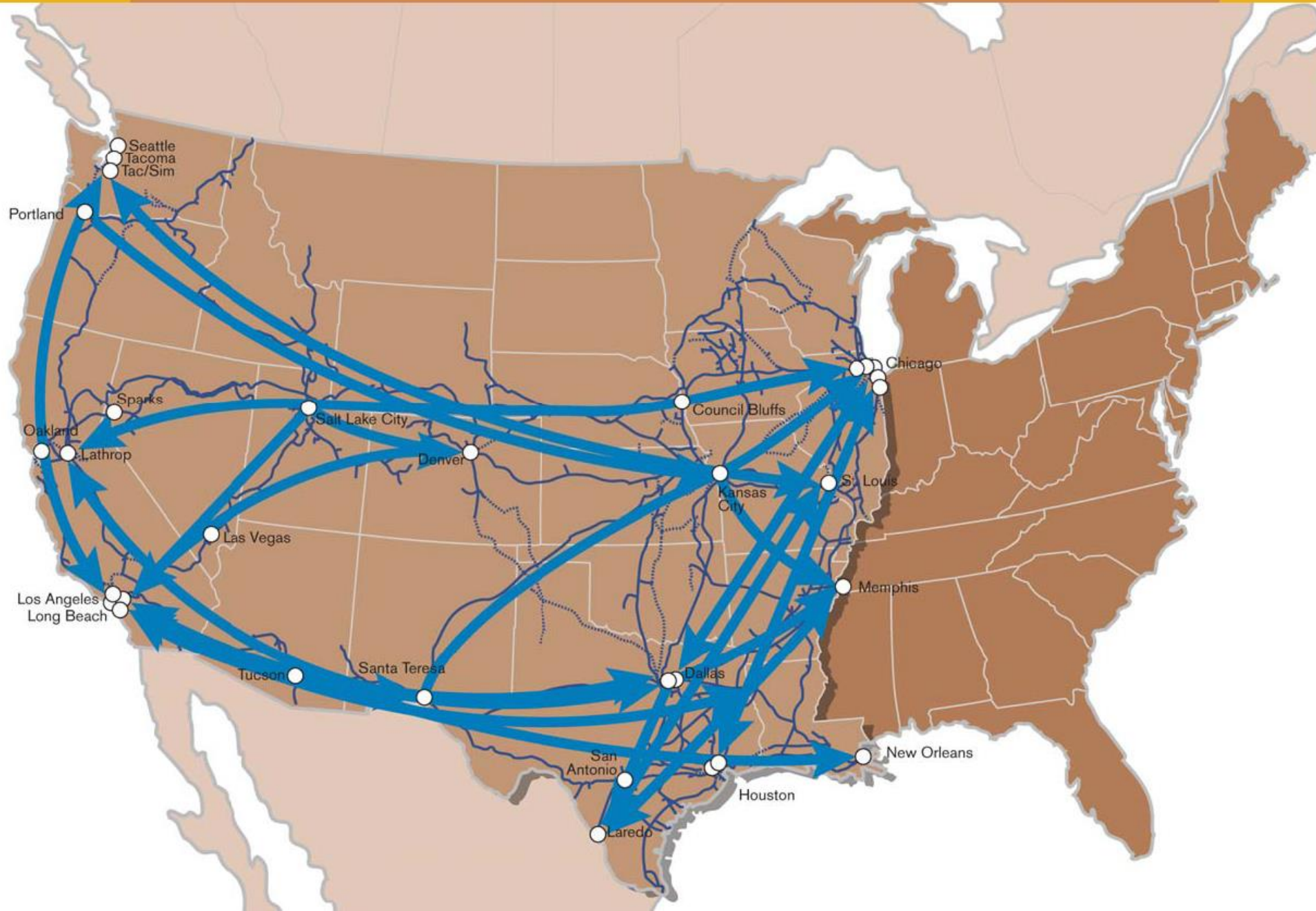


- Offers largest dedicated container fleet for domestic customers
 - Over 100,000 containers offered exclusively by the company and its partners
- Partners:
 - EMP
 - UMAX
- Union Pacific's Mutual Commitment Program

Intermodal Terminals and Traffic Flows



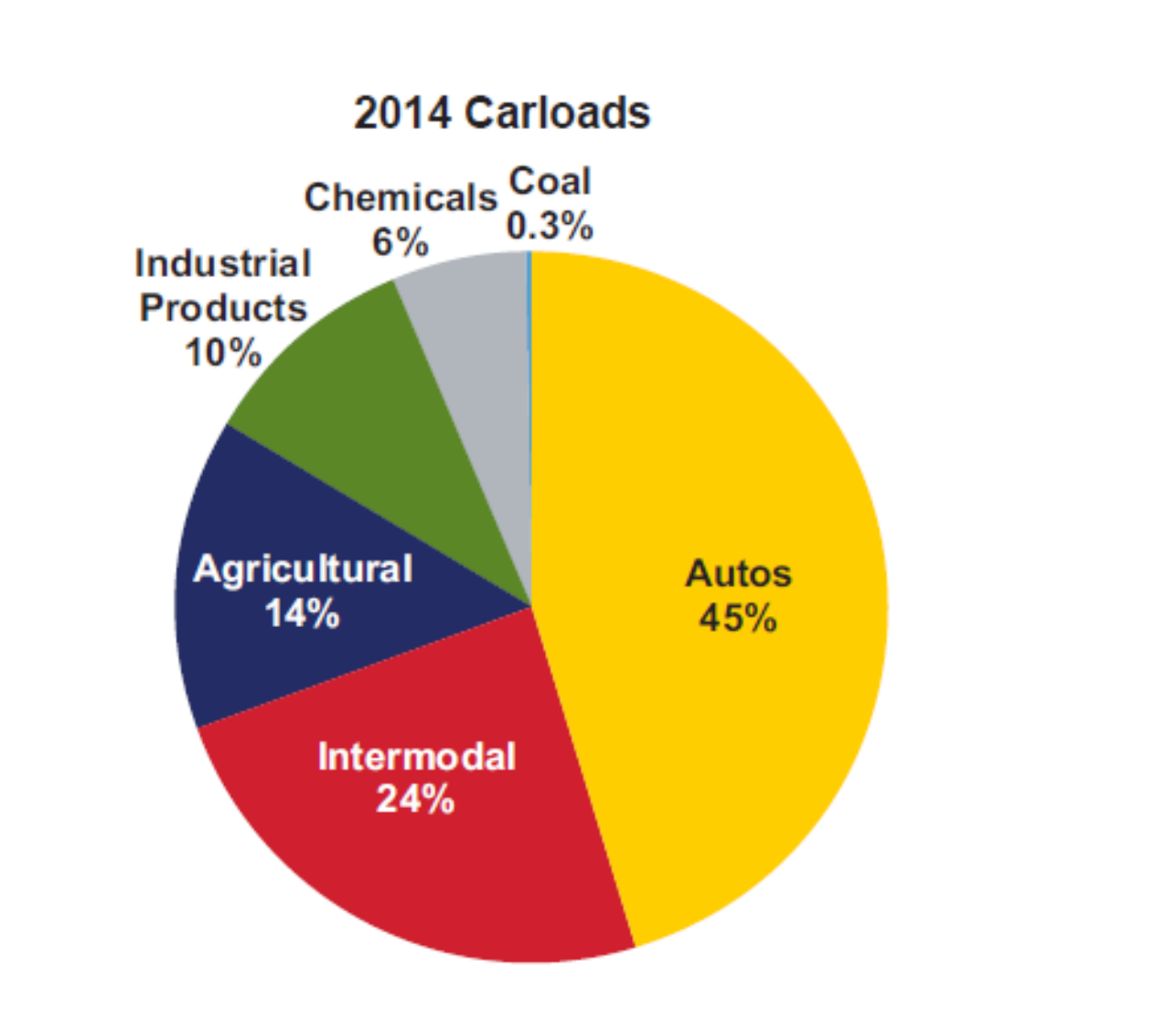
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RELATIONS WITH MEXICO



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RELATIONS WITH MEXICO



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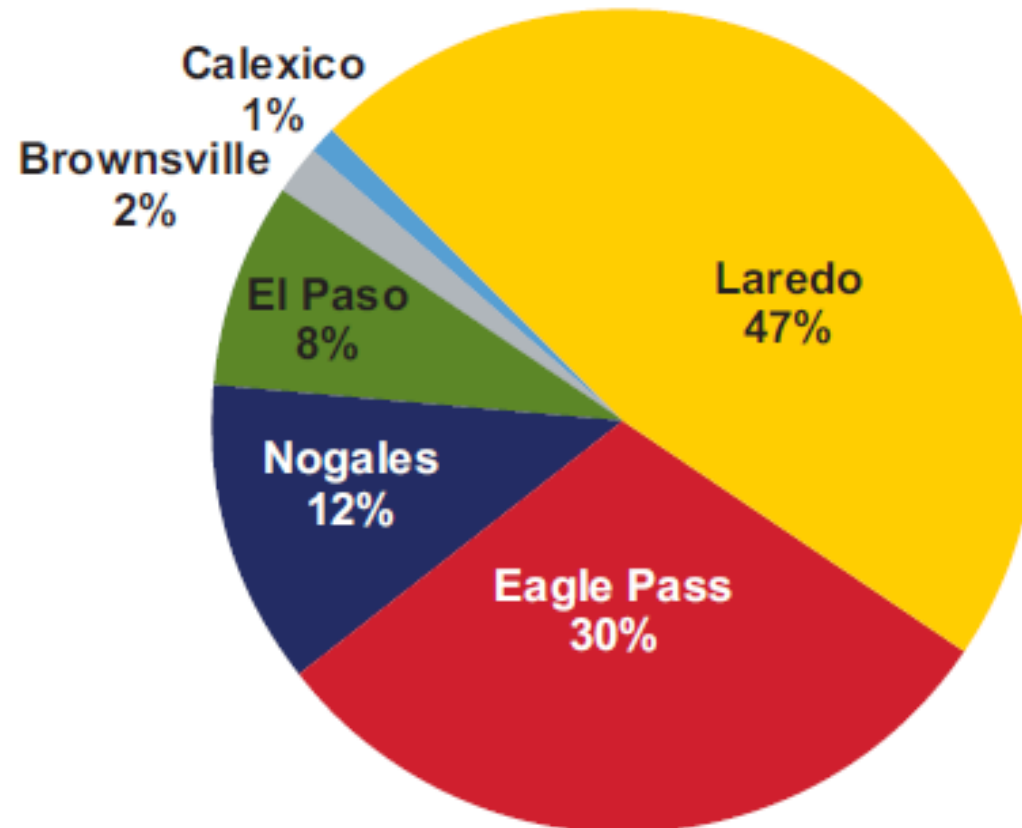
- Partners:
 - Kansas City Southern de Mexico (KCSM)
 - Ferrocarril Mexicano (Ferromex; FXE)
- Cross Border Traffic comprised 10% of 2014 volume levels

RELATIONS WITH MEXICO



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Percent of 2014 UP Carloads at Border Crossings



SERVICES IN MEXICO



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- Border Service
 - Intermodal Marketing Companies
- Mexico Direct
 - Ramp-to-Ramp
 - Through-Rate Structure
- Streamline Passport
 - Door-to-Door

SERVICES IN MEXICO



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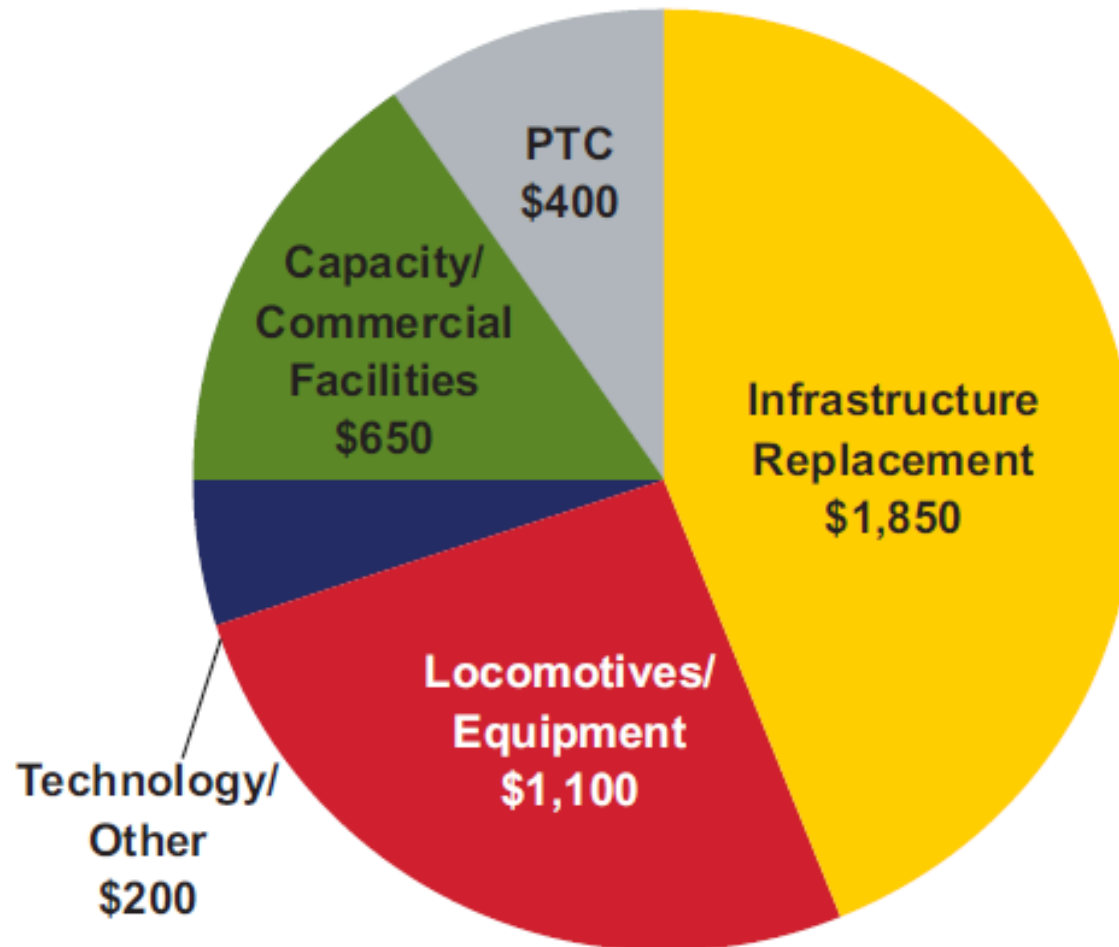


CAPITAL PLAN

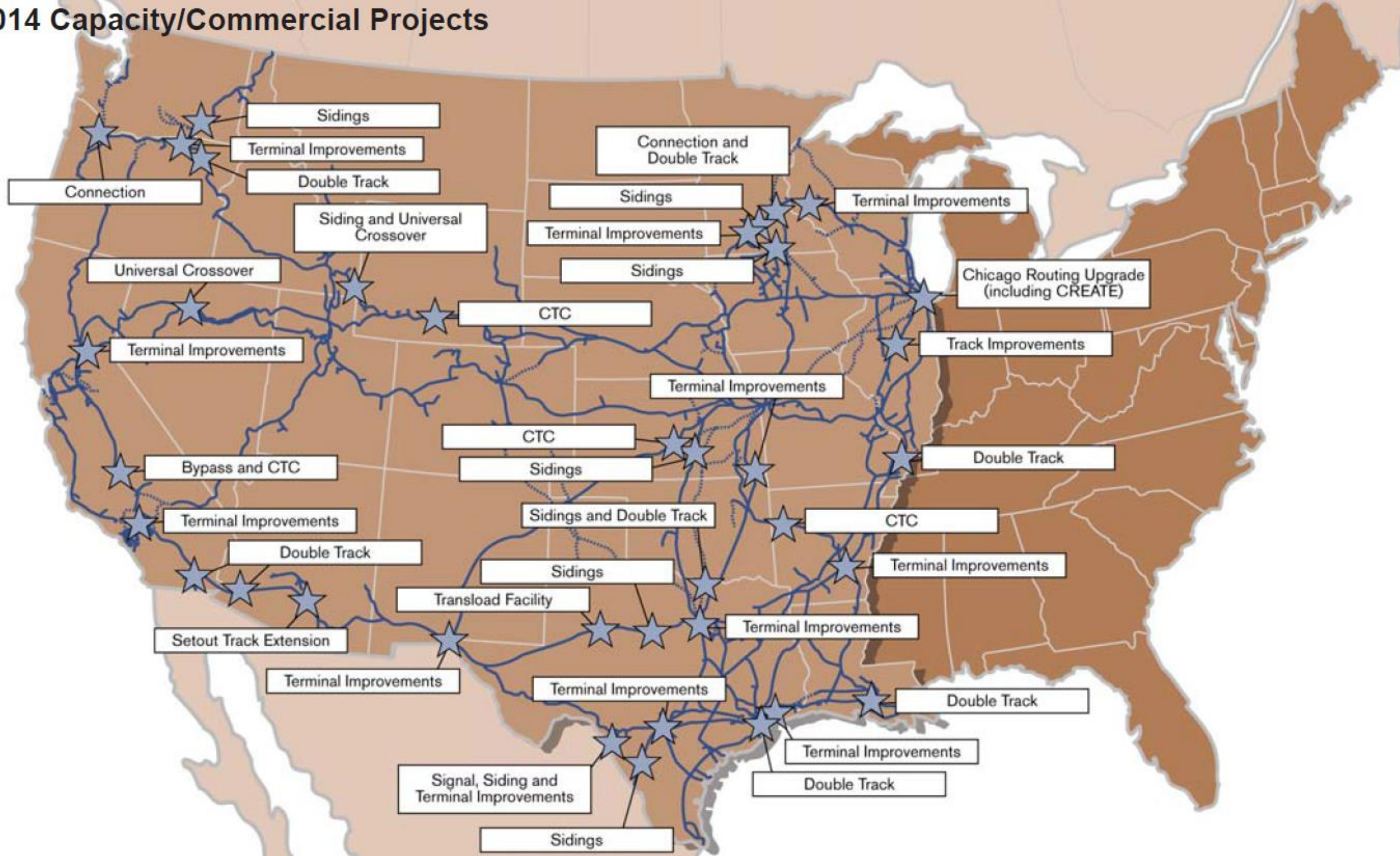


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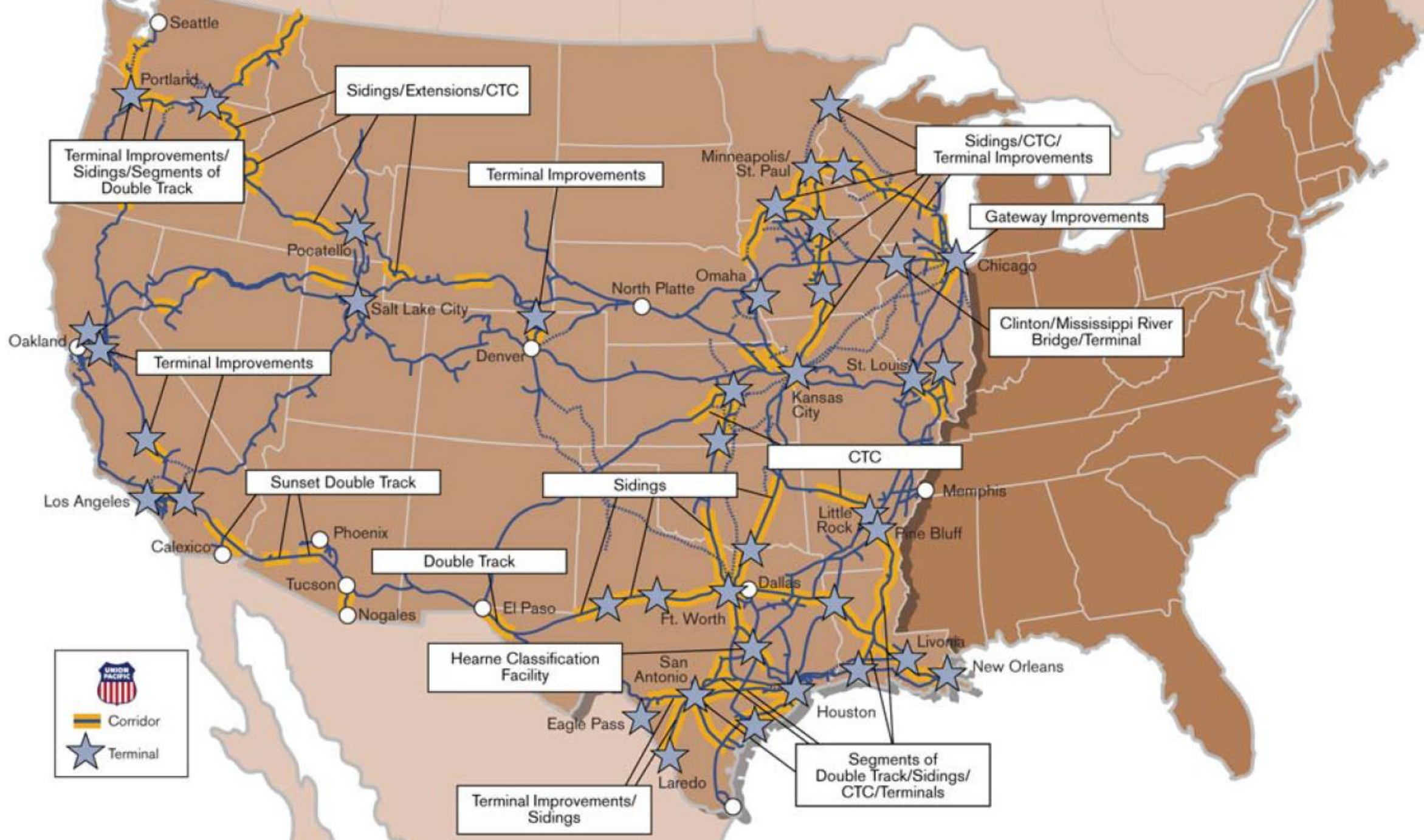
2015 Capital Plan
(Millions)



2014 Capacity/Commercial Projects



Existing and Proposed Corridor/Terminal Projects



FLEET OF CARS



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MONEY PER EMPLOYEE



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	UNP	CSX	NSC	CP
Revenue Per Employee	462,000	364,094	356,523	507,964
Net Income Per Employee	101,000	61,500	52,778	106,131

OPERATION EFFICIENCIES



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- Improved train speed 11%
- Improved terminal dwell 7%
- Record operating margin in 2015
- Double-Stack Intermodal Trains
- One double-stack train of containers eliminates 300 trucks



INNOVATIONS



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- Double-Stacking
- Auto flex Railcars
 - 3 decks for small cars
 - 2 decks for larger vehicles
 - 15 patents on auto flex
- Hybrid switching Locomotive
 - Reduces emission by 80%



GOING GREEN

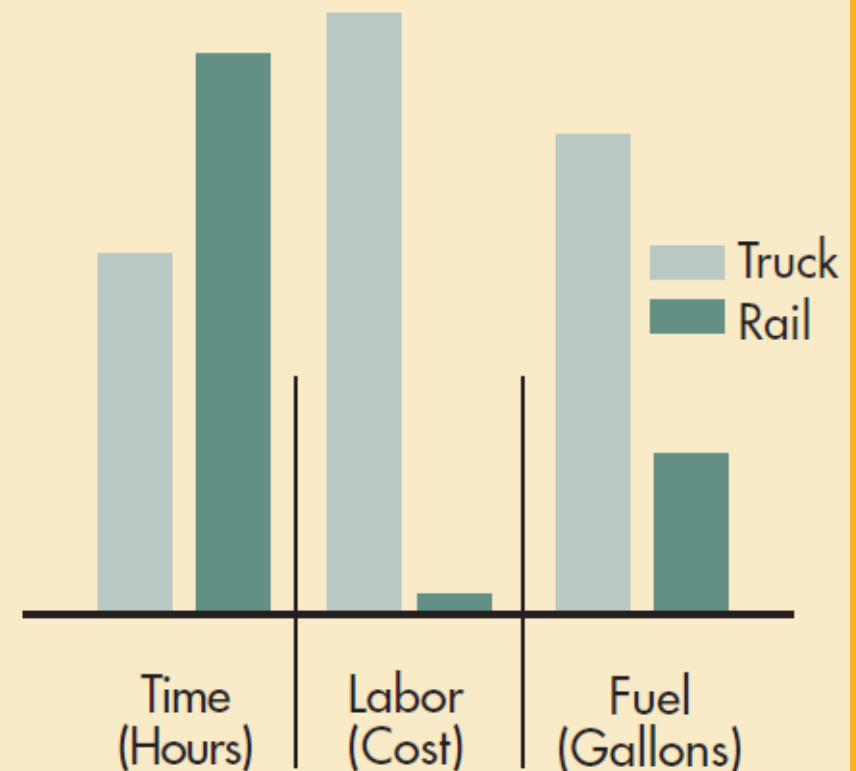
- Most efficient way to move cargo on land
- Can move 1 ton of freight 406 miles on a single gallon of diesel fuel
- Eliminated 36 million metric tons of greenhouse gases by using us rather than trucks
- Can haul 3-5 truck loads in a single unit



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Truck versus Rail

(generic lane comparison)



RISK FACTORS

- Transportation of Hazardous Materials
- Government Regulation
- Strikes or Worker Stoppage
- Fuel Prices
- Environmental Laws and Regulations



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COAL PRODUCTION

- 9% coal carload decline in 2013
- Government is pushing green energy
- Will contribute 3 billion in revenue
- Powder River Basin has cheapest coal



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COMPETITIVE ADVANTAGE



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- Cost Advantage
- Efficient Scale
- Network Effect
- Tangible Assets

QUALITATIVE ANALYSIS



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Commodity or Sustained Competitive Advantage?

Competitive Advantage

Easily Explainable?

Easy as cake

Unionized?

Yes

Heavy Capital Infusion and R&D?

Yes

Obsolete Inventory?

No

Chronic One-Time Write offs?

No

Make a competitor with a billion dollars?

No

MORNINGSTAR DEBT ANALYSIS

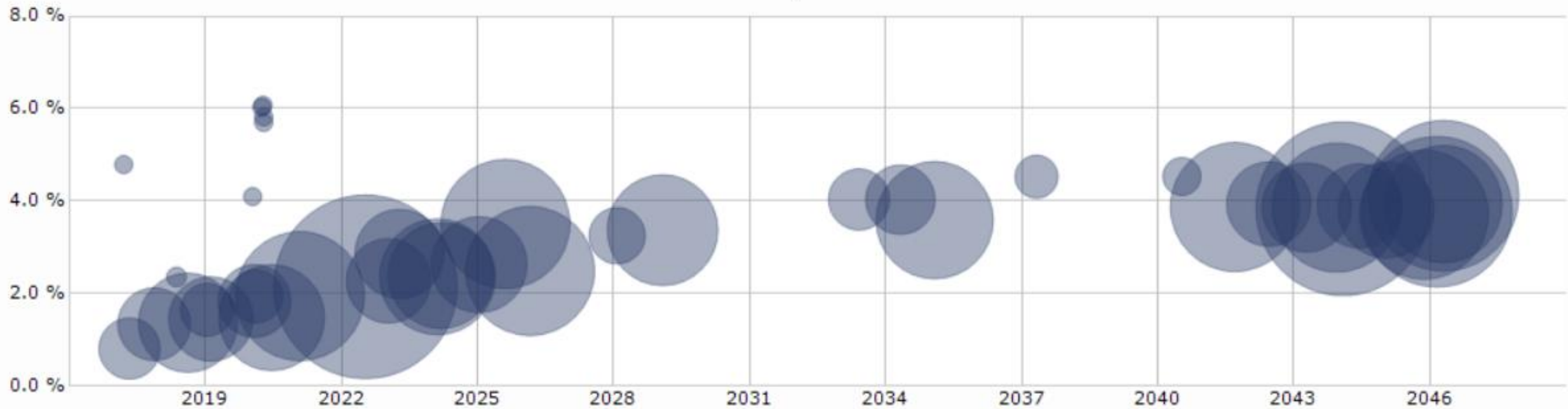


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Yield to Maturity

■ Debt ■ Preferred ■ Convertible

● ● ● Circle size determined by issue amount



INTERPRETATION OF THE FINANCIAL STATEMENTS

<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	72.61%	≥ 20%	Yes
% SGA	30.62%	≤ 80%	Yes
% R&D	0.00%	≤ 10%	Yes
% Depreciation	12.70%	≤ 10%	No
Interest % of OP	7.72%	≤ 15%	Yes
Net Profit Margin	21.88%	≥ 10%	Yes
Current Ratio	1.29	≥ 1	Yes
Obligation Ratio	3.31	< 5 years	Yes
Adj. Debt to Shareholder Equity	0.94	< 0.8	No
Return on Equity	23.05%	≥ 15%	Yes
Return on Capital	13.91%	≥ 15%	No
Dividend Payout Ratio	49.12%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	97.44%	≤ 25%	No
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes



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Statistical Array Analysis

Increasing trends?

Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Increasing
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Increasing
Operating Profit Margin	Increasing
Number of Stores	
Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Increasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Decreasing
Long-Term Debt	Increasing
LT Debt Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes

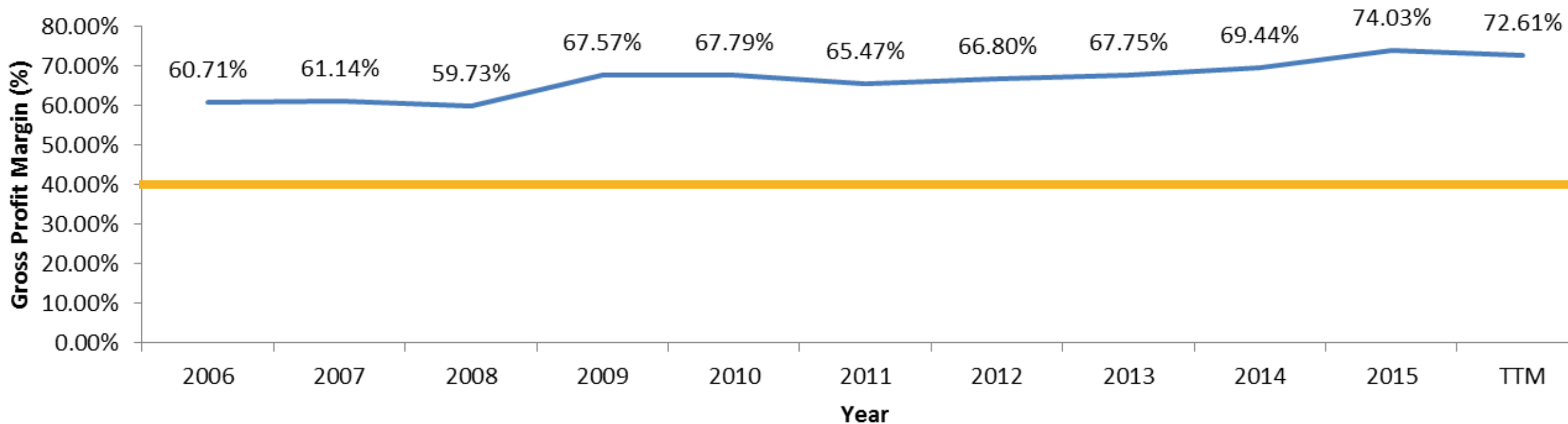


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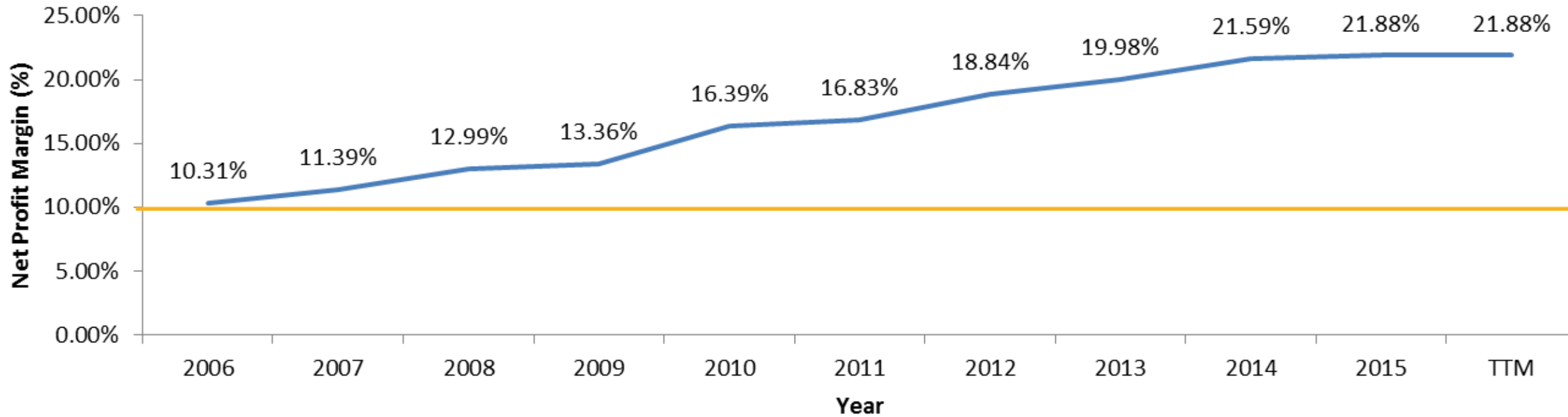
Gross Profit Margin





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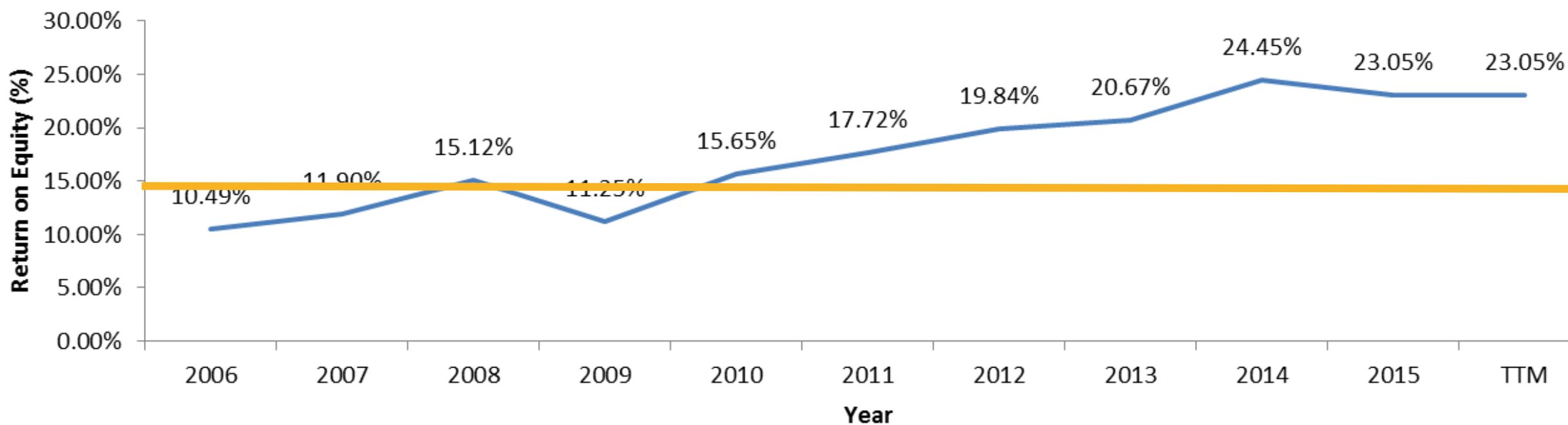
Net Profit Margin





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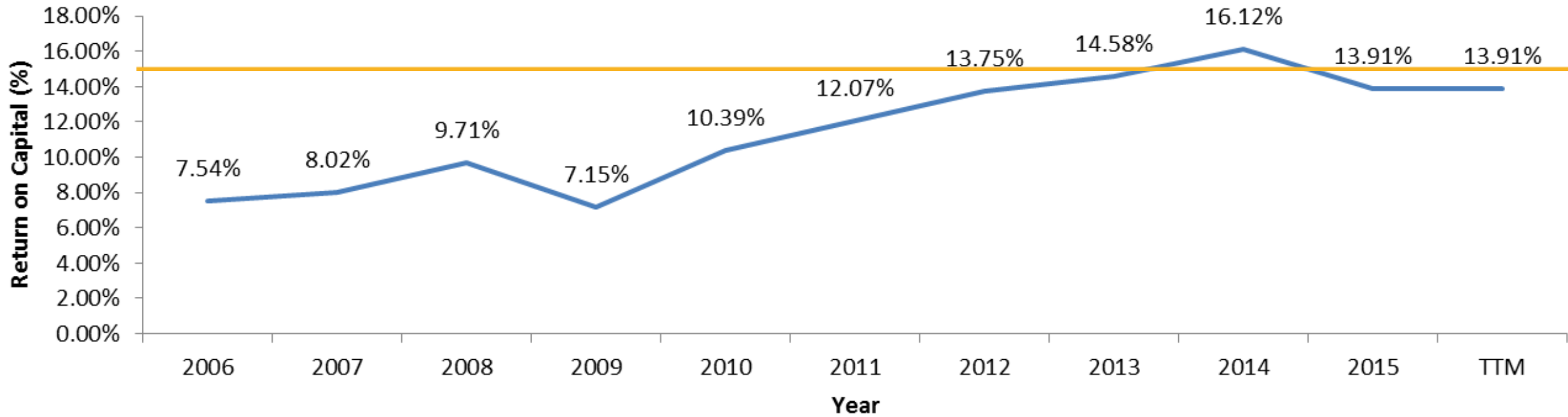
Return on Equity





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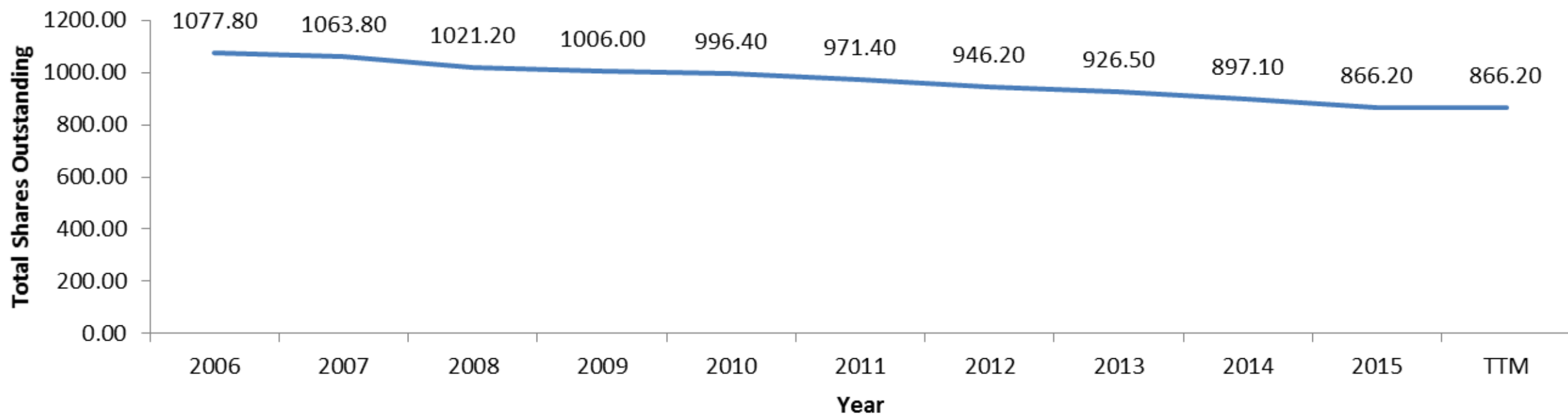
Return on Capital





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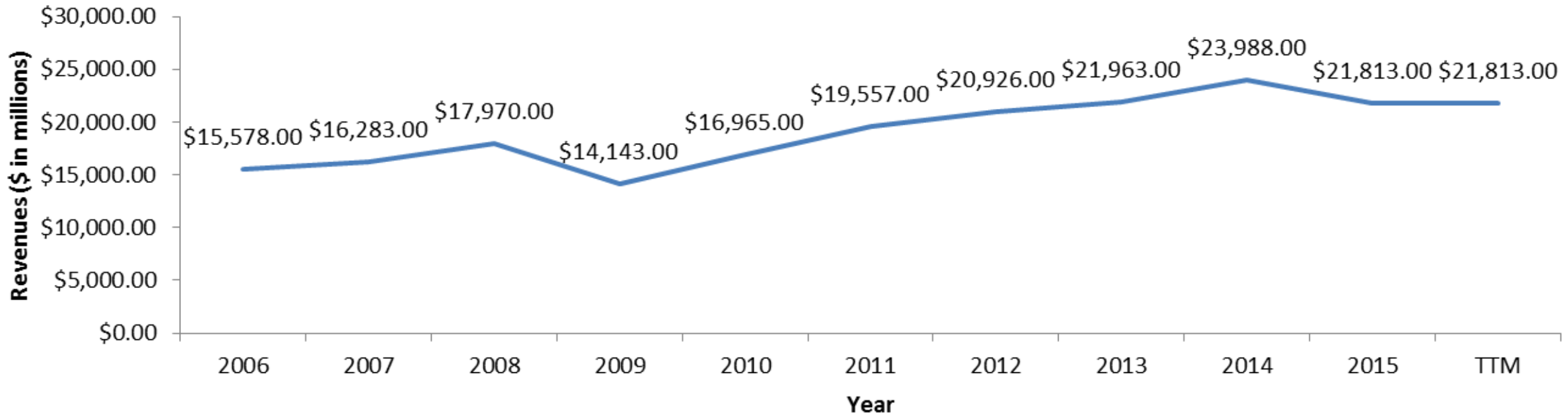
Total Shares Outstanding





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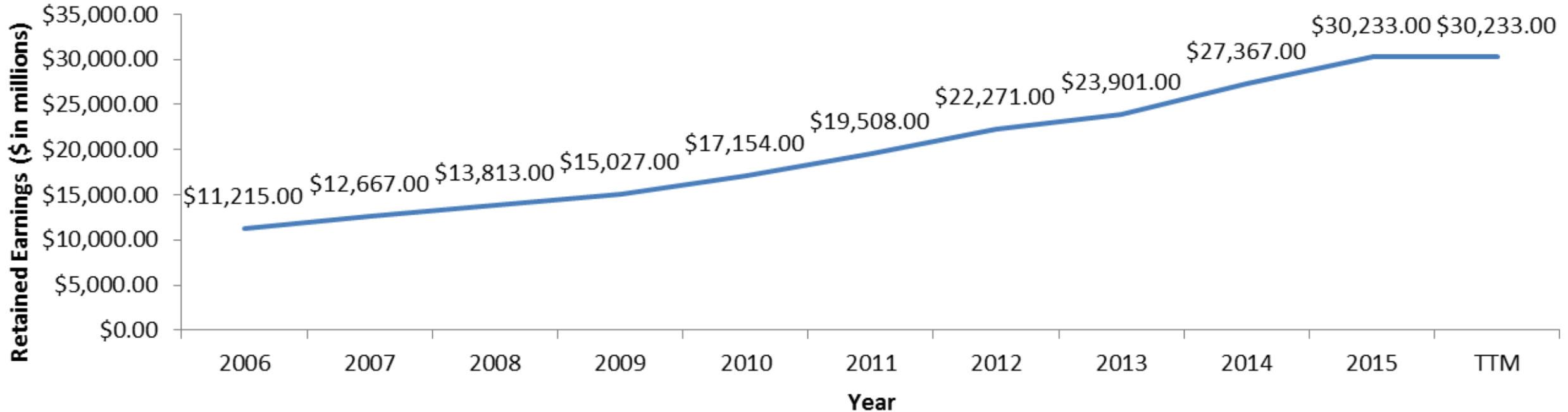
Revenues (10 year)





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Retained Earnings



DUPONT (HISTORICAL)



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	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
TTM	.41	21.88	2.64	22.82
2015	.41	21.88	2.64	22.78
2014	.47	21.59	2.47	22.82
2013	.45	19.98	2.34	21.35

INDUSTRY BREAKDOWN

DUPONT (COMPETITORS) TTM



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	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
CSX	.33	16.51	2.99	16.29
NSC	.31	14.8	2.81	12.71
CP	.37	20.20	4.09	26.24
CNI	.36	27.98	2.43	24.43
UNP	.41	21.88	2.64	22.82

INDUSTRY BREAKDOWN



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	UNP	CSX	NSC	CP	CNI
Market Cap (mil)	74,925	25,617	24,640	23,086	51,017
Revenue (mil)	21,813	11,402	10,511	5,173	9,720
P/E	16.14	13.86	16.23	23.10	18.99
P/S	3.54	2.33	2.32	4.73	5.36
P/B	3.63	2.23	2.01	6.18	4.39
EV/EBIT	10.61	9.86	10.36	16.14	14.46
ROA	8.9	5.52	4.66	7.43	10.09
ROE	22.82	16.29	12.71	26.24	24.43
Operating Margin	36.91	30.21	27.44	39.99	41.69
Net Margin	21.88	16.51	14.80	20.20	27.98

TRACK MILES

Company	Track Miles
UNP	32,100
CSX	21,000
BNSF	32,500
NSC	20,000
CP	14,000
CNI	20,400



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UNION PACIFIC



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BURLINGTON NORTHERN SANTA FE



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NORFOLK SOUTHERN CORPORATION



BUILDING AMERICA®



CANADIAN PACIFIC



BUILDING AMERICA®



CANADIAN NATIONAL



BUILDING AMERICA®





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INTRAPORTFOLIO VALUATIONS

PRICE/BOOK



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Ticker	▲ P... Book
AIG-WT	-
AIG	0.7
BRK.B	1.4
QCOM	2.6
WMT	2.7
CMI	2.7
BBBY	3.1
UNP	3.6
ORCL	3.7
NSRGY	4.0
MSFT	5.8
CHRW	9.3
IBM	10.1
PEP	12.3

PRICE/EARNINGS



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Ticker	▲ Price / Earnings
AIG-WT	-
BBBY	9.4
IBM	11.0
CMI	14.7
BRK.B	14.8
WMT	15.0
UNP	15.9
QCOM	17.2
ORCL	20.2
CHRW	21.2
NSRGY	24.9
PEP	27.6
AIG	33.7
MSFT	39.7

PRICE/SALES




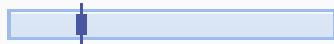

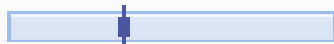




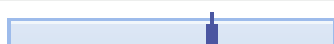
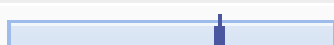
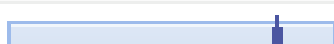
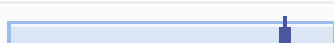
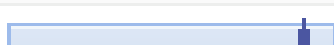
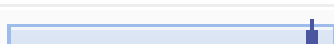
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Ticker	▲ P... Sales
AIG-WT	-
WMT	0.5
BBBY	0.7
CHRW	0.8
CMI	1.1
AIG	1.3
BRK.B	1.7
IBM	1.8
PEP	2.4
NSRGY	2.6
QCOM	3.4
UNP	3.5
ORCL	4.8
MSFT	5.1

PRICE



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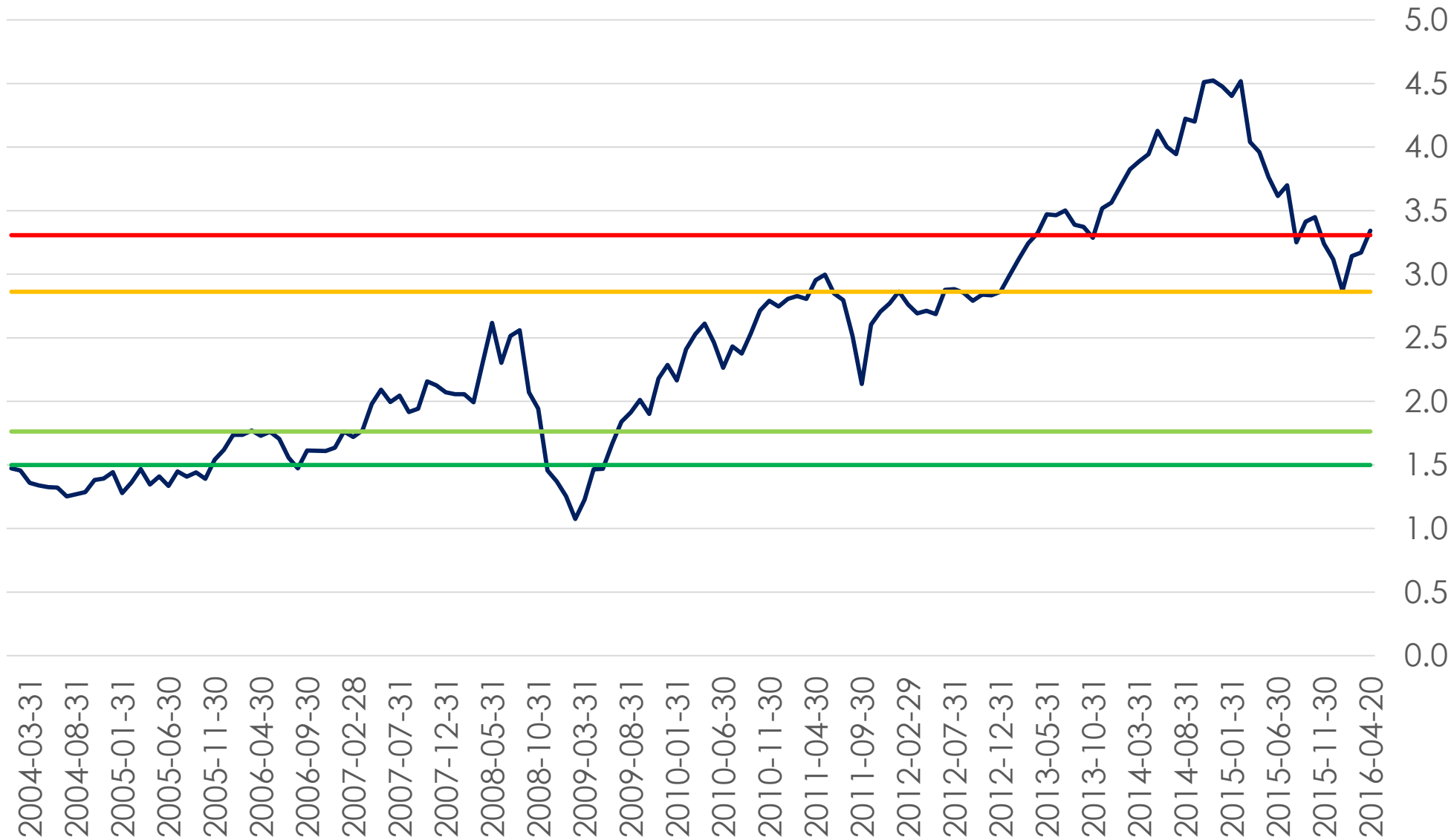
Ticker	▲ 52-wk Range
AIG-WT	\$16.03  \$29.56
BBBY	\$41.26  \$74.21
QCOM	\$42.24  \$71.32
AIG	\$50.20  \$64.93
UNP	\$67.06  \$111.38
WMT	\$56.30  \$80.93
IBM	\$116.90  \$176.30
CMI	\$79.88  \$143.40
NSRGY	\$68.00  \$79.39
ORCL	\$33.13  \$45.24
PEP	\$76.48  \$105.77
BRK.B	\$123.55  \$148.57
CHRW	\$59.71  \$75.65
MSFT	\$39.72  \$56.85

VALUE BANDS

PRICE/SALES



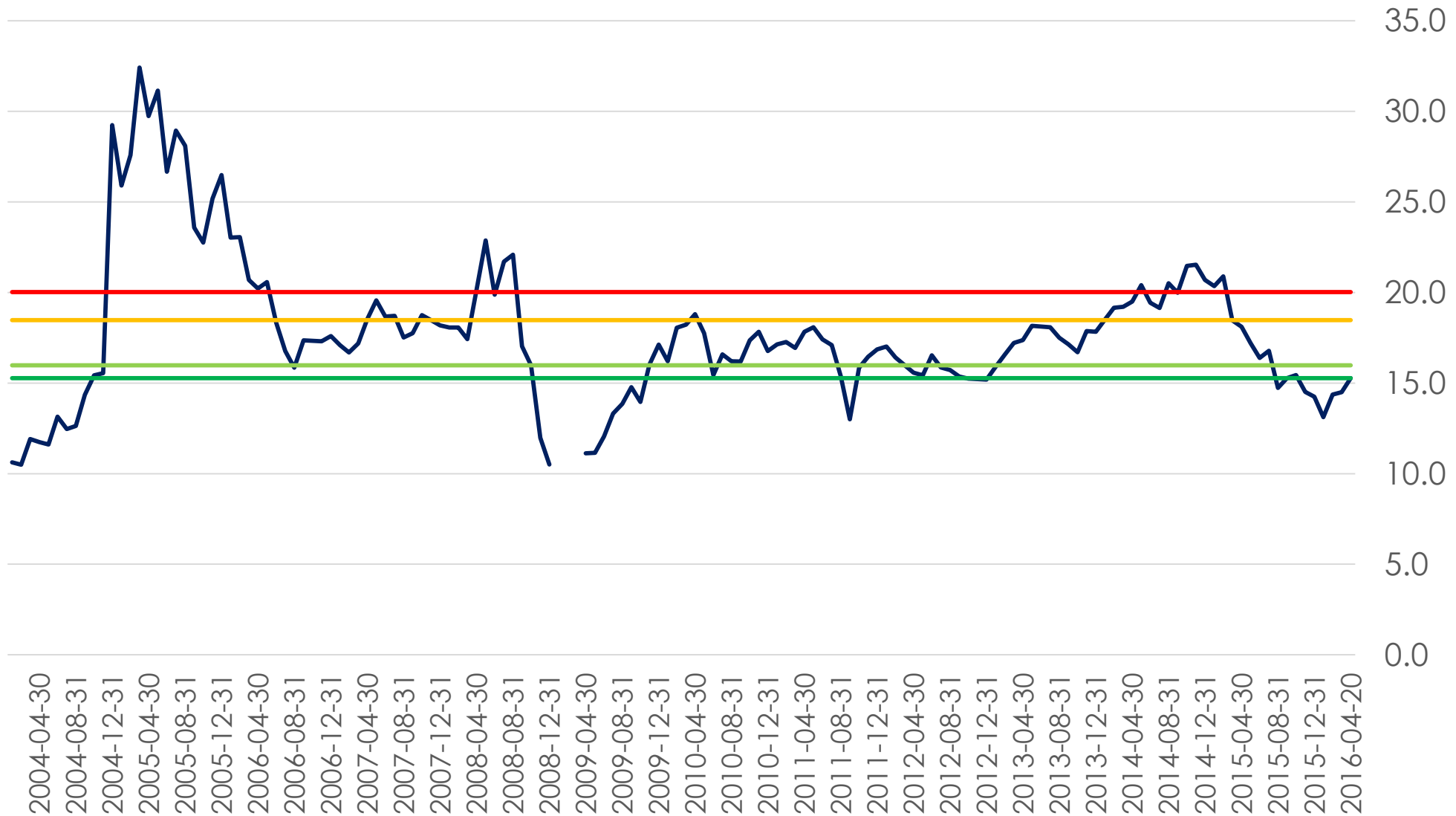
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PRICE/EARNINGS



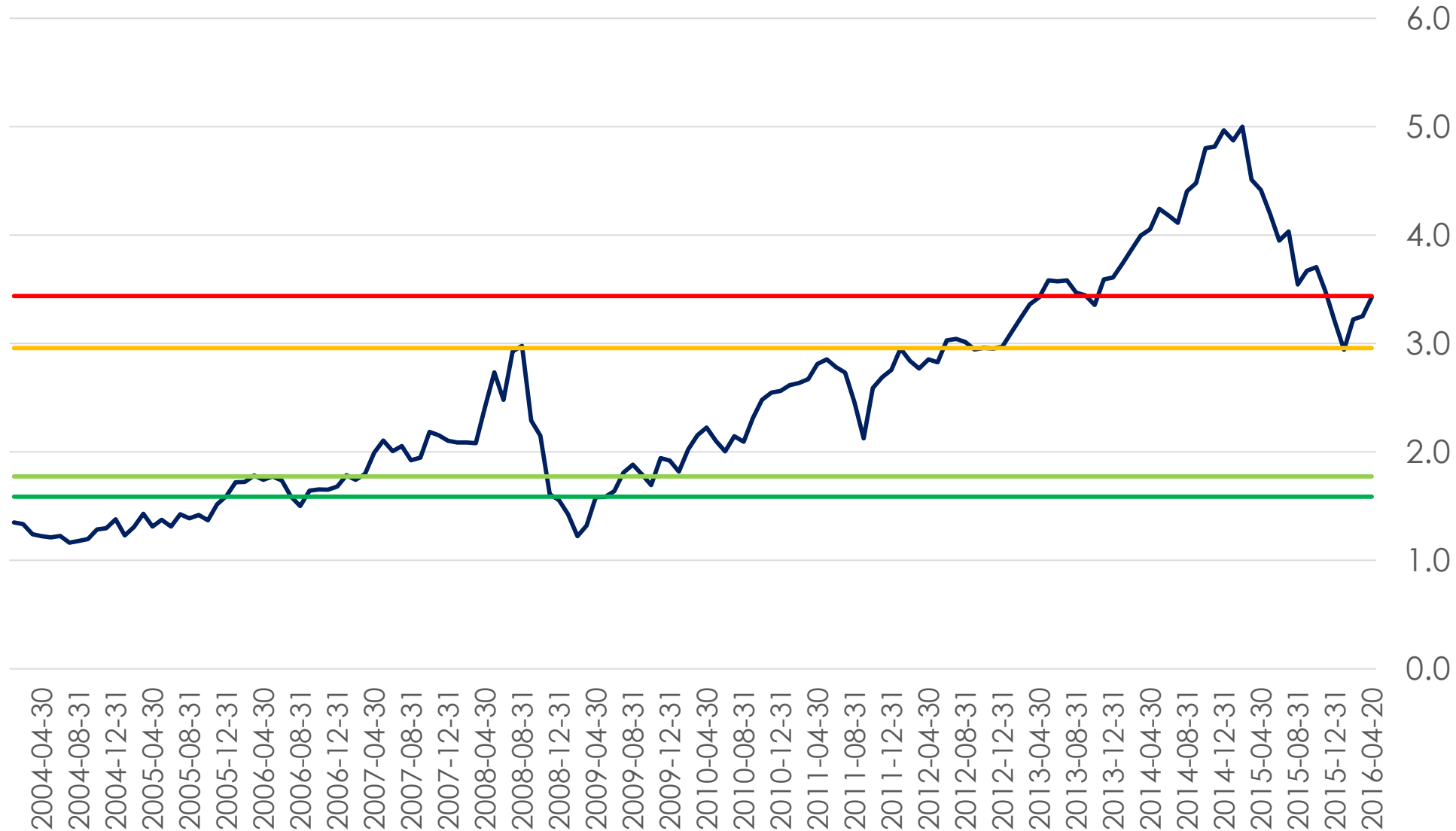
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PRICE/BOOK



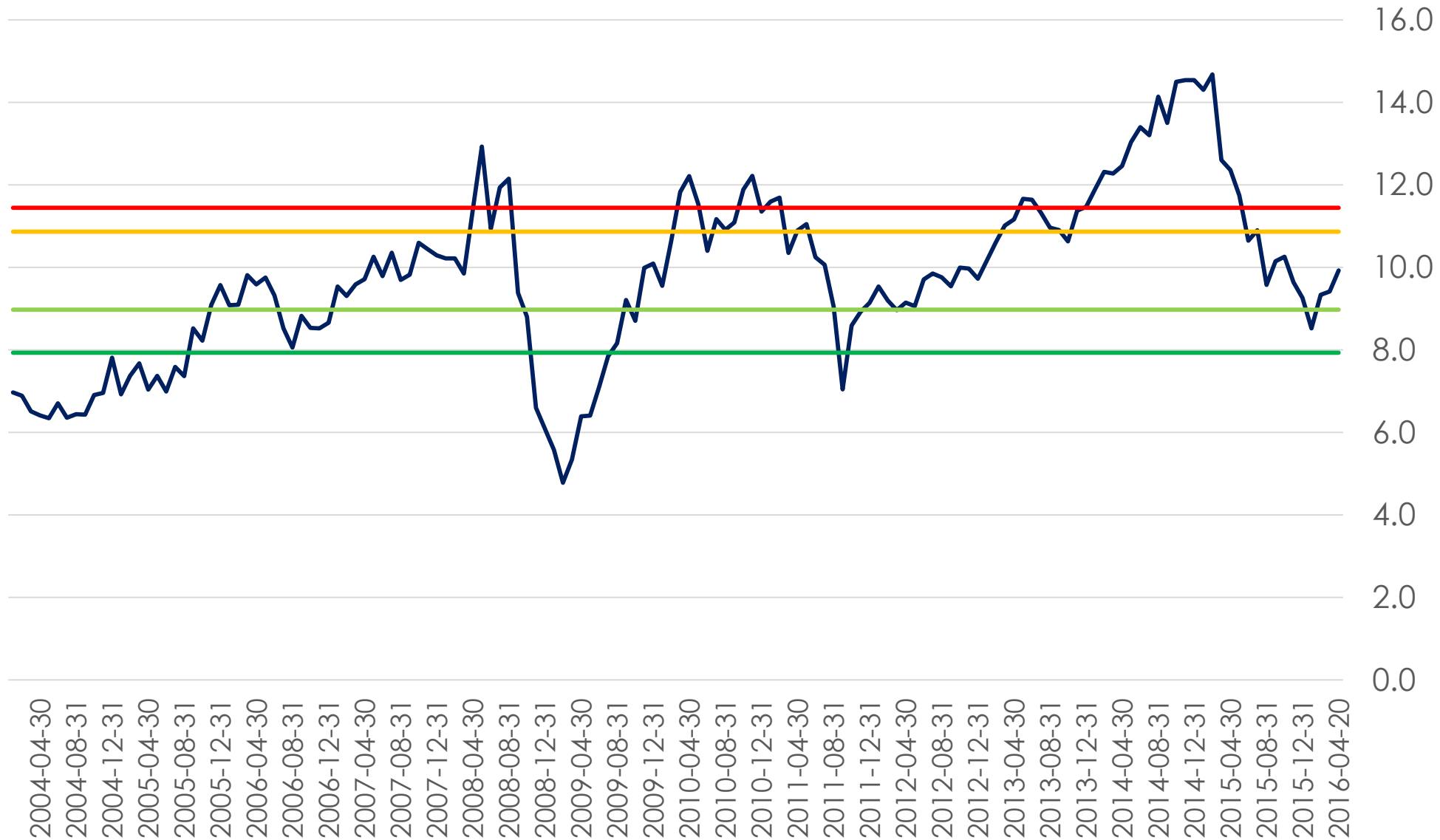
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PRICE/CASHFLOW



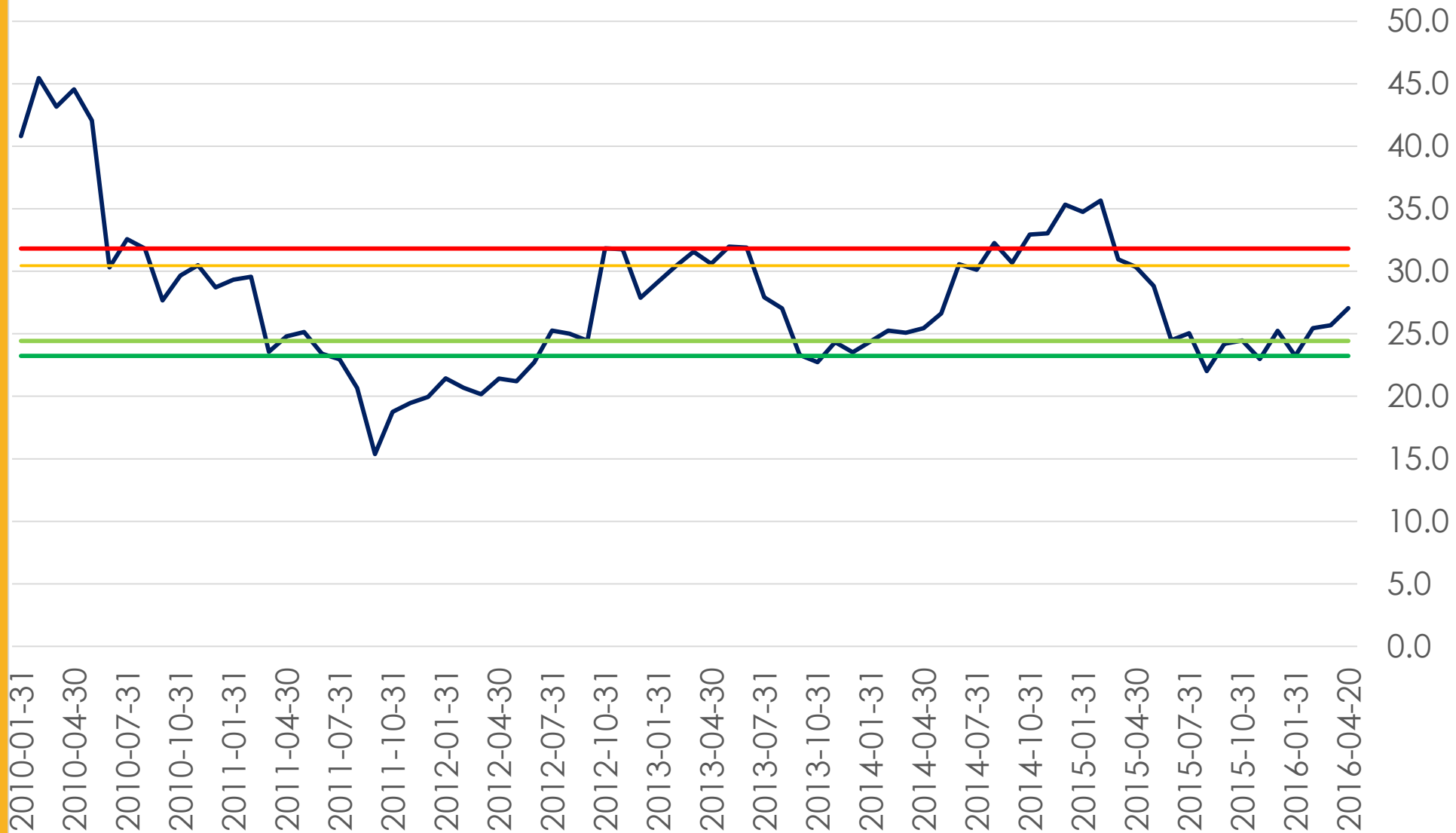
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PRICE/FREE CASHFLOW



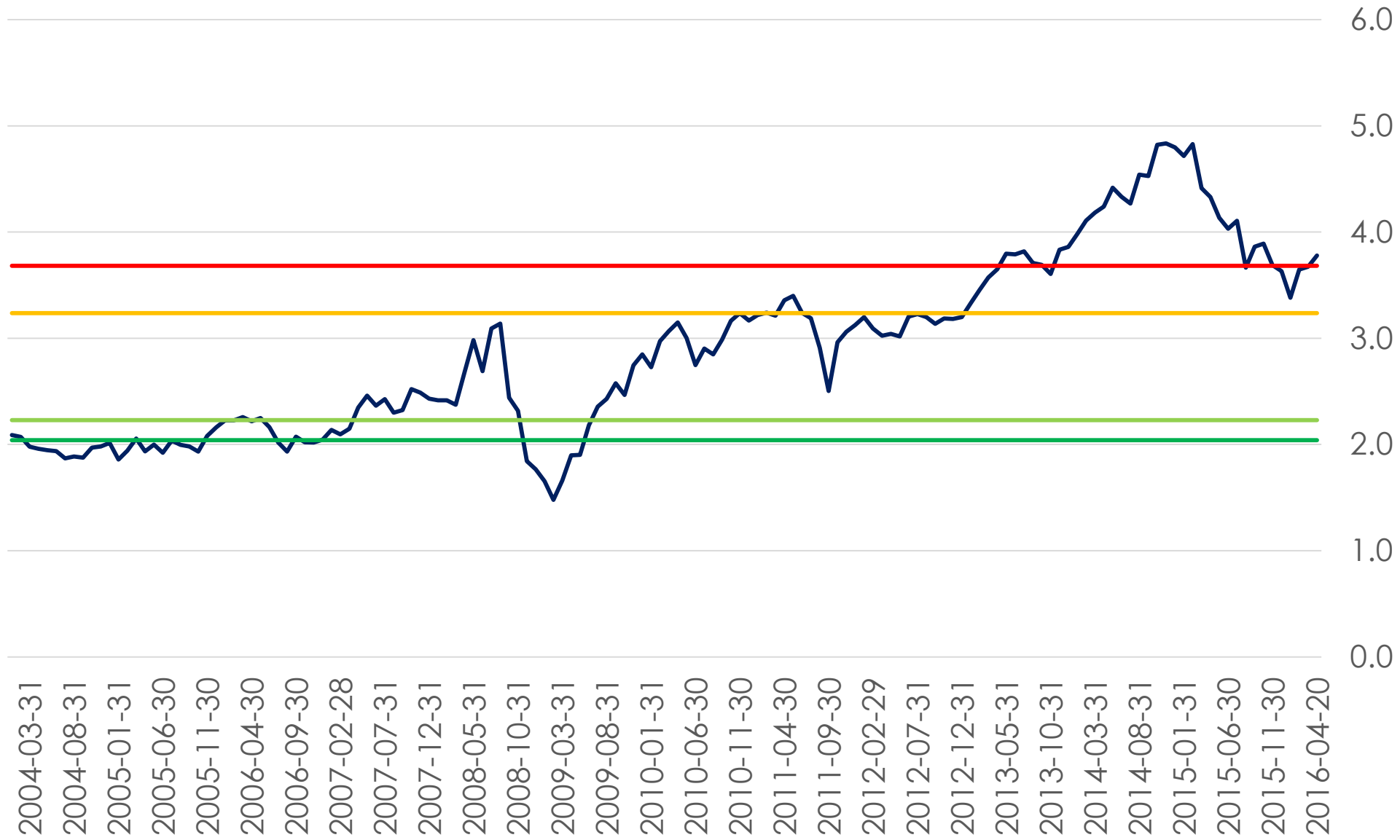
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EV/REVENUE



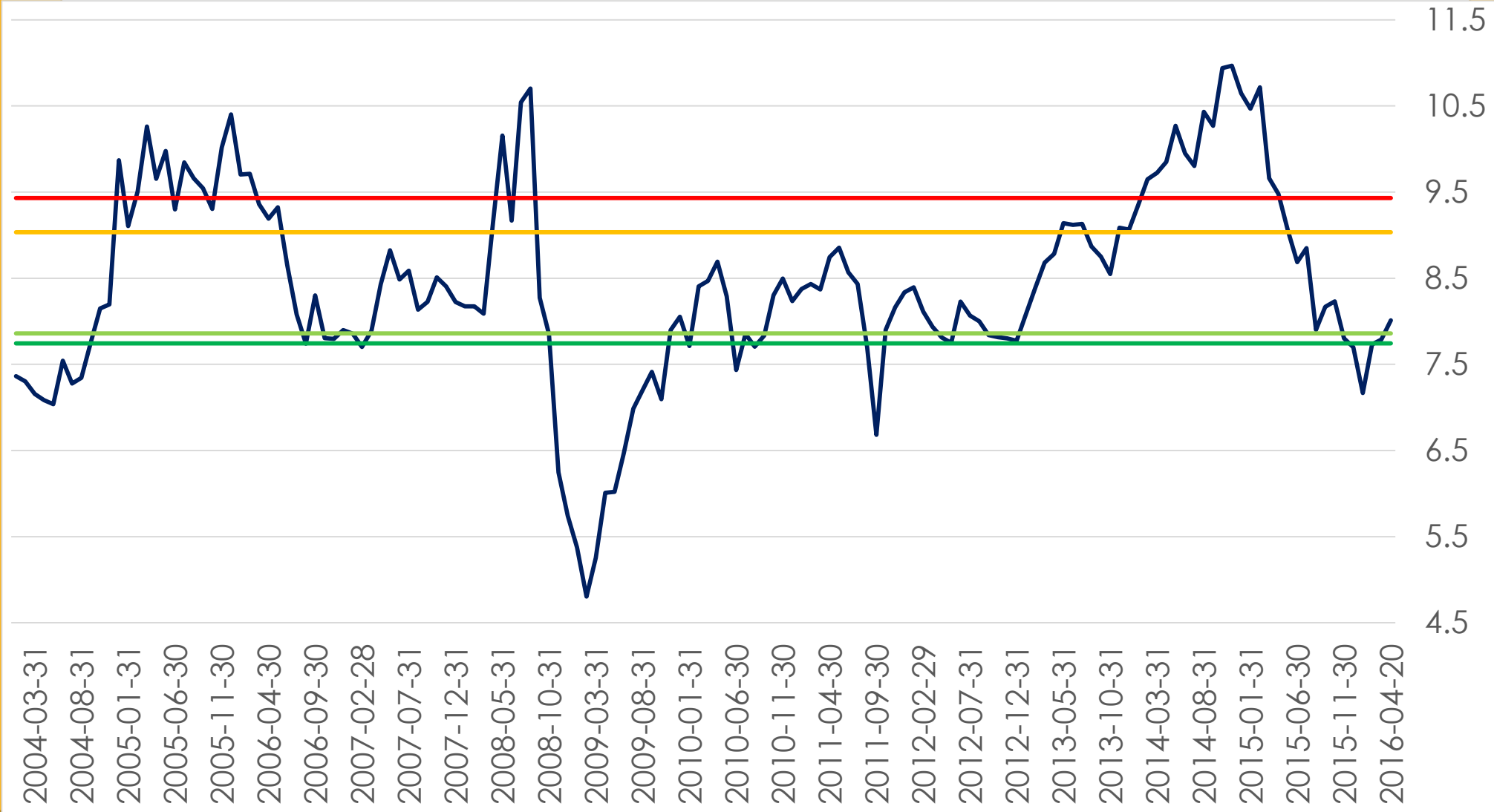
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EV/EBITDA



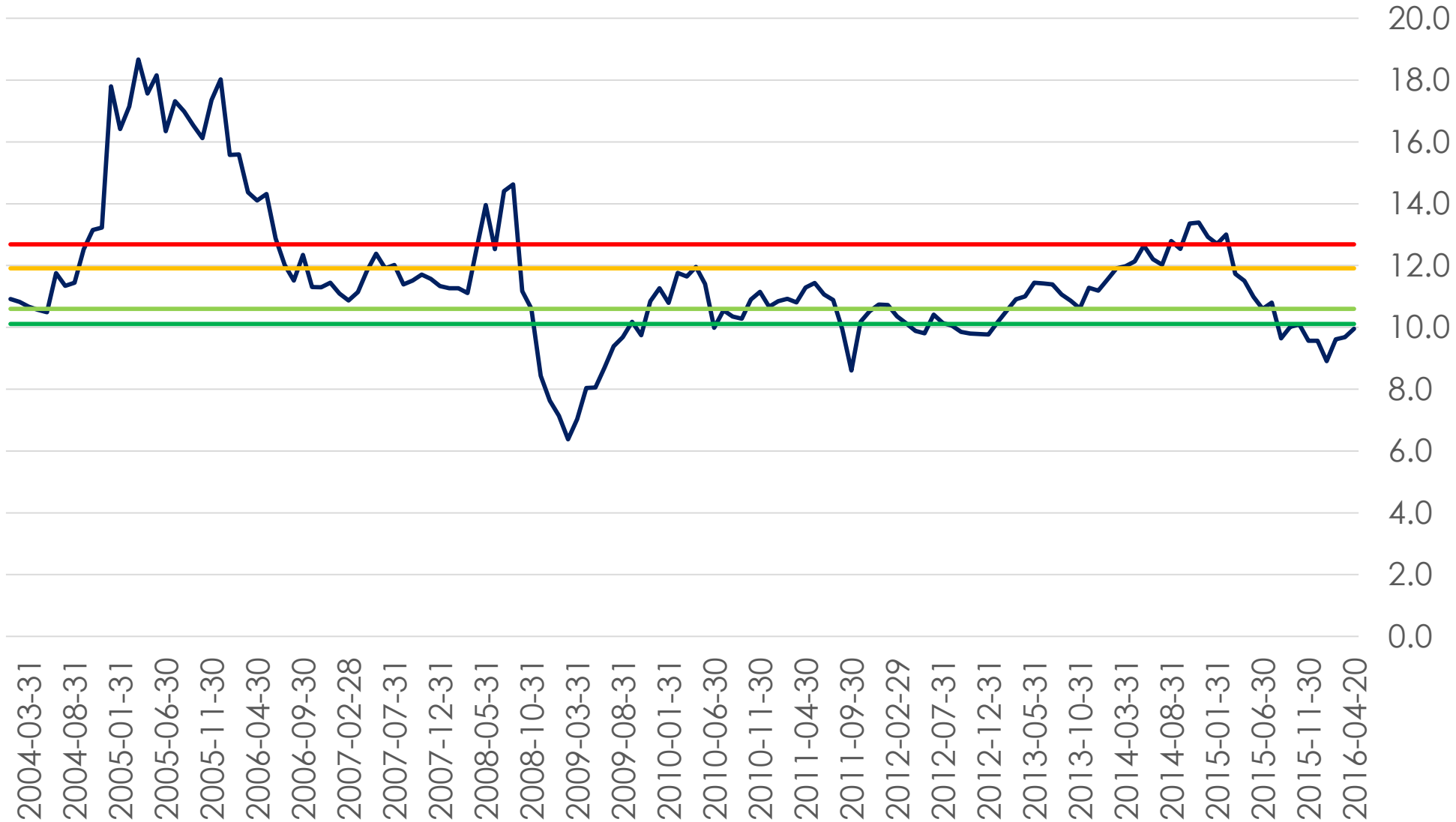
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EV/EBIT



BUILDING AMERICA®



**CONSCIOUS
INVESTOR**

3 YEAR



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	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	1.476	1.728	2.270	1.876	2.764	3.361	4.137	4.710	5.749	5.489	\$5.489	3	7.95%	95.27%
SPS (\$)	14.415	15.605	17.855	14.002	17.256	20.375	22.287	24.082	27.155	25.686		3	3.28%	96.81%

3 YEAR



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	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRET®
Default	82.24	\$5.489	16.59	7.95%	34.8%	9.12%
Safety	82.24	\$5.489	12.95	2.49%	28.7%	2.34%

Cut P/E by 21.9%
Cut Growth by 68.7%

6 YEAR



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	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	1.476	1.728	2.270	1.876	2.764	3.361	4.137	4.710	5.749	5.489	\$5.489	6	16.10%	94.89%
SPS (\$)	14.415	15.605	17.855	14.002	17.256	20.375	22.287	24.082	27.155	25.686		6	8.74%	95.92%

6 YEAR



BUILDING AMERICA®

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRET®
Default	83.85	\$5.489	16.65	16.10%	34.8%	16.32%
Safety	83.85	\$5.489	13.16	6.99%	28.7%	5.91%

Cut P/E by 20.9%
Cut Growth by 56.5%

10 YEAR



BUILDING AMERICA®

	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAAGR®
EPS (\$)	1.476	1.728	2.270	1.876	2.764	3.361	4.137	4.710	5.749	5.489	\$5.489	10	17.35%	90.84%
SPS (\$)	14.415	15.605	17.855	14.002	17.256	20.375	22.287	24.082	27.155	25.686		10	7.57%	92.51%

10 YEAR



BUILDING AMERICA®


	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRET®
Default	82.24	\$5.489	16.59	17.35%	34.8%	17.66%
Safety	82.24	\$5.489	12.95	6.57%	28.7%	5.62%

Cut P/E by 21.9%
Cut Growth by
62.1%

10 YEAR- KILL IT



BUILDING AMERICA®

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRET®
Default	83.85	\$5.489	16.65	17.35%	34.8%	17.48%
Safety	83.85	\$5.489	13.16	6.57%	28.7%	5.57%
 Saved 2016-04-21	83.85	\$5.489	8.95	5.50%	0.0%	0.01%

Cut P/E by 46.2%
Cut Growth by
68.3%

GURU DCF



BUILDING AMERICA®

Earnings Per Share : \$?

Growth Rate In the Next: Years % ?

Business Predictability ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

➔

DCF Reverse DCF NEW

Tangible Book Value: \$ Add to Fair Value ?

Growth Value: \$ 43.07 ?

Terminal Value: \$ 23.66 ?

= Fair Value: \$ 66.73 ?

Price:

Margin Of Safety:

Financial Data of Union Pacific Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	7.60	8.70	-5.90
EBITDA Growth (%)	15.00	13.70	-1.50
EBIT Growth (%)	18.00	14.60	-4.80
EPS without NRI Growth (%)	18.80	15.90	-4.70
Free Cash Flow Growth (%)		13.50	-8.40
Book Value Growth (%)	7.00	6.60	1.60

GURU REVERSE DCF



BUILDING AMERICA®

Earnings Per Share : \$?

Growth Rate In the Next: Years ?

Business Predictability ★★★★★ ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

➔

DCF Reverse DCF NEW ↵

= Growth Rate: 10.53% ?

Revenue Growth Rate: 7.60%(10y) 8.70%(5y) -5.90%(1y) ?

EBITDA Growth Rate: 15.00%(10y) 13.70%(5y) -1.50%(1y) ?

Earnings Growth Rate: 18.80%(10y) 15.90%(5y) -4.70%(1y) ?

Free Cash Flow Growth Rate: 0.00%(10y) 13.50%(5y) -8.40%(1y) ?

Book Value Growth Rate: 7.00%(10y) 6.60%(5y) 1.60%(1y) ?

Financial Data of Union Pacific Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	7.60	8.70	-5.90
EBITDA Growth (%)	15.00	13.70	-1.50
EBIT Growth (%)	18.00	14.60	-4.80
EPS without NRI Growth (%)	18.80	15.90	-4.70
Free Cash Flow Growth (%)		13.50	-8.40
Book Value Growth (%)	7.00	6.60	1.60

TANGIBLE BOOK DCF



BUILDING AMERICA®

Earnings Per Share : \$?

Growth Rate In the Next: Years: % ?

Business Predictability ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

➔

DCF Reverse DCF NEW ⏪

Tangible Book Value: \$ Add to Fair Value ?

Growth Value: \$?

Terminal Value: \$?

= Fair Value: \$?

Price:

Margin Of Safety:

Financial Data of Union Pacific Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	7.60	8.70	-5.90
EBITDA Growth (%)	15.00	13.70	-1.50
EBIT Growth (%)	18.00	14.60	-4.80
EPS without NRI Growth (%)	18.80	15.90	-4.70
Free Cash Flow Growth (%)		13.50	-8.40
Book Value Growth (%)	7.00	6.60	1.60

TANGIBLE BOOK REVERSE DCF



BUILDING AMERICA®

Earnings Per Share : \$?

Growth Rate In the Next: Years ?

Business Predictability ★★★★★ ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

➔

DCF Reverse DCF ^{NEW}

= Growth Rate: 5.19% ?

Revenue Growth Rate: 7.60%(10y) 8.70%(5y) -5.90%(1y) ?

EBITDA Growth Rate: 15.00%(10y) 13.70%(5y) -1.50%(1y) ?

Earnings Growth Rate: 18.80%(10y) 15.90%(5y) -4.70%(1y) ?

Free Cash Flow Growth Rate: 0.00%(10y) 13.50%(5y) -8.40%(1y) ?

Book Value Growth Rate: 7.00%(10y) 6.60%(5y) 1.60%(1y) ?

Financial Data of Union Pacific Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	7.60	8.70	-5.90
EBITDA Growth (%)	15.00	13.70	-1.50
EBIT Growth (%)	18.00	14.60	-4.80
EPS without NRI Growth (%)	18.80	15.90	-4.70
Free Cash Flow Growth (%)		13.50	-8.40
Book Value Growth (%)	7.00	6.60	1.60

CONSERVATIVE DCF



BUILDING AMERICA®

Earnings Per Share : \$?

Growth Rate In the Next: Years % ?

Business Predictability ★★★★★ ?

Terminal Growth Rate: % ?

Years of Terminal Growth: ?

Discount Rate: % ?

➔

DCF Reverse DCF NEW

Tangible Book Value: \$ Add to Fair Value ?

Growth Value: \$ 39.16 ?

Terminal Value: \$ 19.59 ?

= Fair Value: \$ 83.13 ?

Price:

Margin Of Safety:

Financial Data of Union Pacific Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	7.60	8.70	-5.90
EBITDA Growth (%)	15.00	13.70	-1.50
EBIT Growth (%)	18.00	14.60	-4.80
EPS without NRI Growth (%)	18.80	15.90	-4.70
Free Cash Flow Growth (%)		13.50	-8.40
Book Value Growth (%)	7.00	6.60	1.60

CONCLUSION

- Financially Sound
- Large Barriers to Entry
- Network Effect
- Efficient Scale



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RECOMMENDATION

- Put with a strike price of \$84.50
 - Premium: \$3.40
 - Effective Entry Price: \$81.10
 - Expiration Date: May 6, 2016



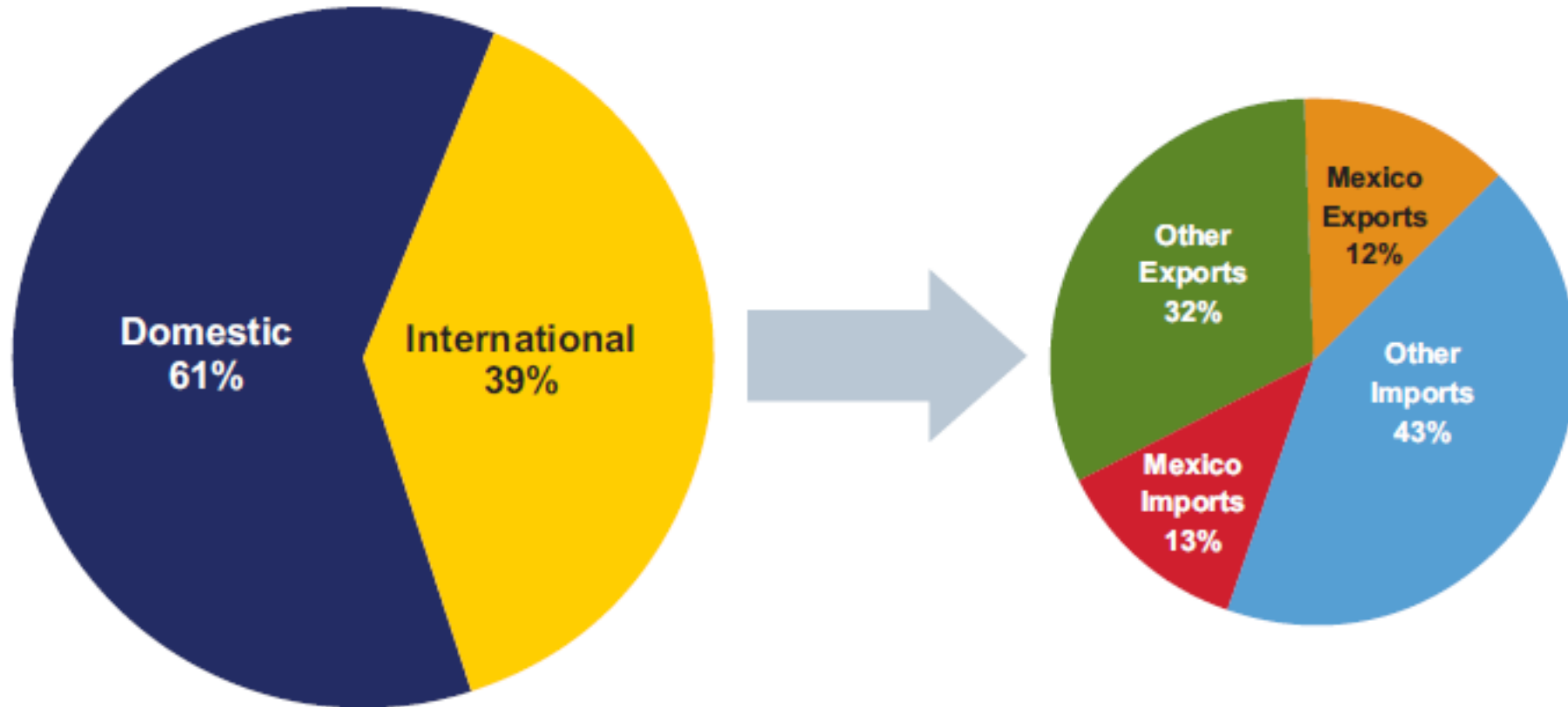
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APPENDIX



UNION PACIFIC
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2014 Carload Composition



ADDITIONS

- Acts for moat
- Owned/leased parts
- Number of each type of car
- 1 train = 400 trucks picture
- Trucks and trains work together
- Demographics for where we're located
- Improvements/Efficiencies
- Competitors' Railways Maps



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